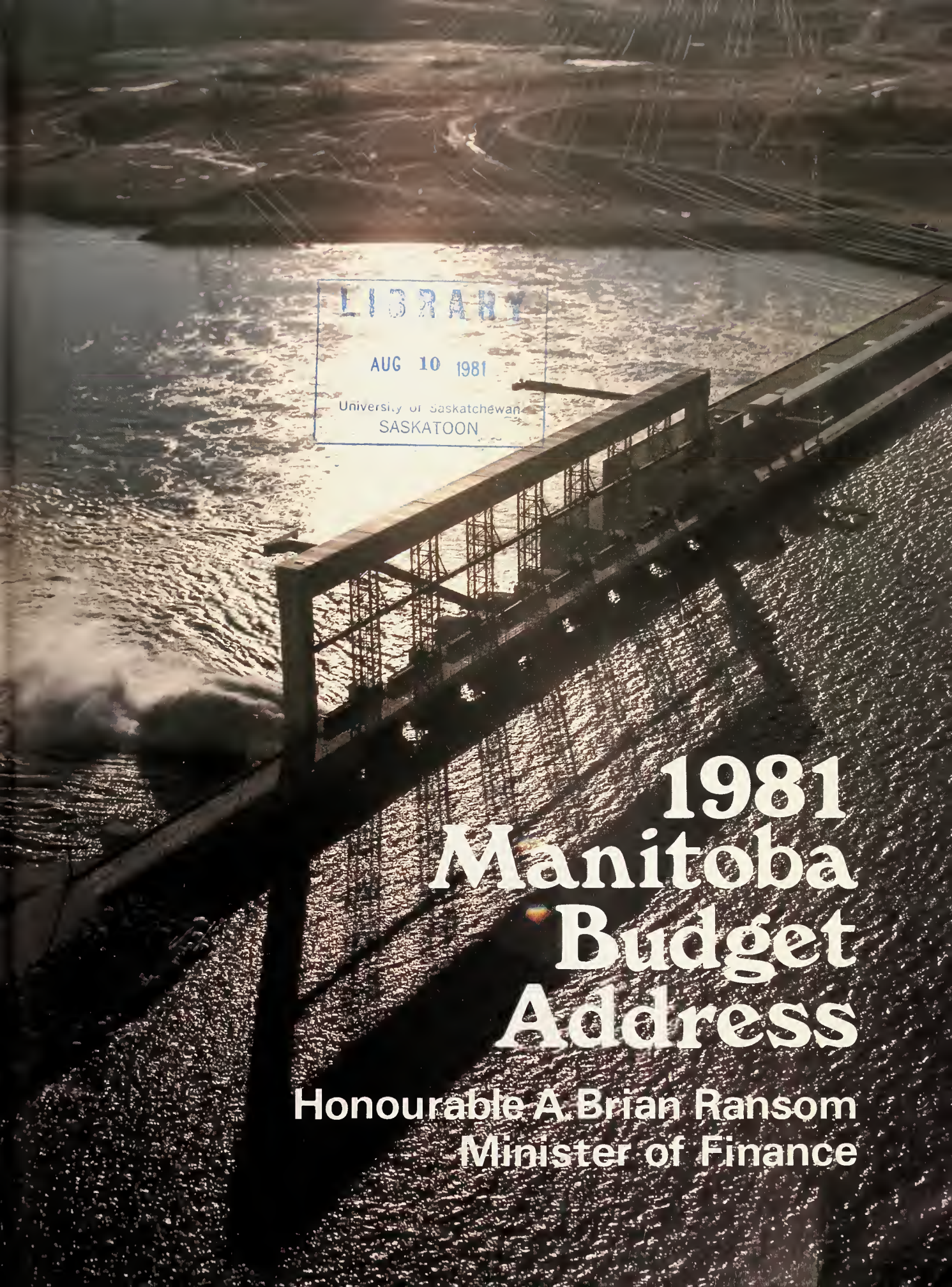


LIBRARY
AUG 10 1981
University of Saskatchewan
SASKATOON

1981 Manitoba Budget Address

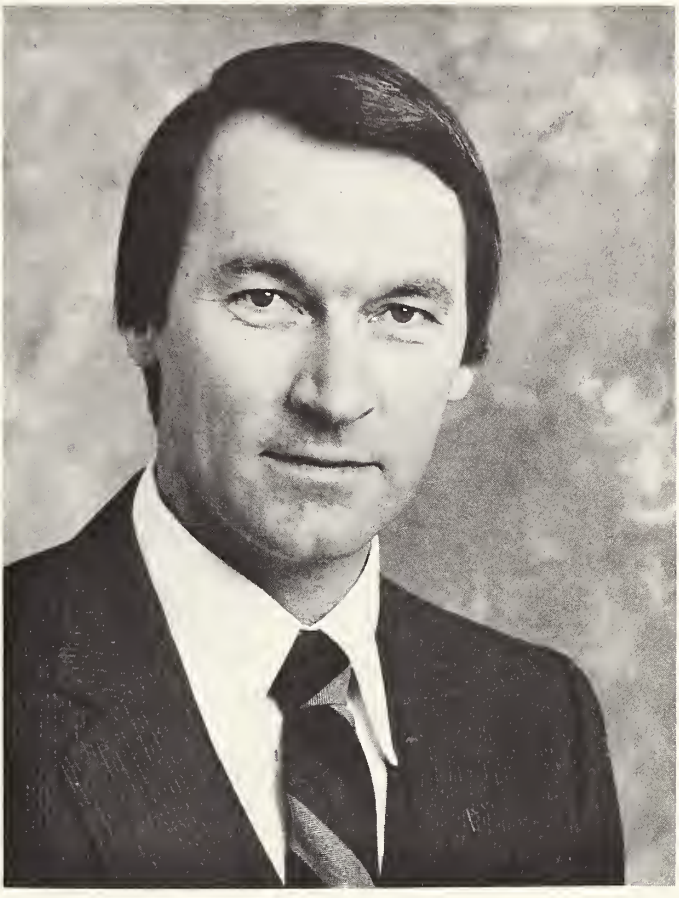
Honourable A Brian Ransom
Minister of Finance

Digitized by the Internet Archive
in 2018 with funding from
University of Alberta Libraries

https://archive.org/details/manitobadepartme1981mani

LIBRARY
AUG 11 1981
GOVERNMENT PUBLICATIONS
University of Saskatchewan

1981
MANITOBA
BUDGET ADDRESS



Honourable A. Brian Ransom
Minister of Finance

April 14, 1981

Cover: Kettle Generating Station on the Nelson River

In a year of average precipitation, over 99% of Manitoba's electrical generation is from water power. Manitoba's installed hydro-electric capacity is 3 644 megawatts, of which 71% is on the Nelson River. The largest is Kettle: 1 272 megawatts. Beyond 1981, further hydraulic development amounting to 6 140 megawatts is possible on the Nelson and other northern rivers.

— Photo courtesy of Manitoba Hydro

1981 MANITOBA BUDGET ADDRESS

TABLE OF CONTENTS

Page

Introduction 5

Budget Background — The Economic Context 7

The 1970's — A Decade of Changing Circumstances 7
Manitoba in the 1970's 8
The Situation in 1977 11
The Economy since 1977 — Objectives for Recovery 13
The Economy in 1980 17
The 1980's — Prospects and Policies for the Future 18
The National Outlook 18
The Short and Medium-Term Outlook for Manitoba 21

Budget Policy 25

Policy Circumstances and Choices 1977/78 — 1980/81 25

Program Improvements: Main Estimates of Expenditure — 1981/82 29

Program Summary 30
Health 30
Education 31
Community Services and Corrections 31
White Paper Programs 31
Cost of Living Tax Credit Modifications 34
Property Tax Credits 35
Economic Development 36

Supplementary Estimates — 1981/82 37

Expenditure Summary — 1981/82 37

Revenue Estimates — 1981/82 38

Budgetary Summary — 1981/82 43

Capital Financing and Borrowing Requirements — 1981/82 44

Conclusion 45

SUPPLEMENTARY BUDGET MATERIAL

Appendix A — Financial Statistics 51

Appendix B — Manitoba Economic Review 63

Appendix C — The White Paper Programs — A Preliminary Review 97

Appendix D — Recent Statements on Fiscal, Economic and Constitutional Matters 125

1981 MANITOBA BUDGET ADDRESS

Mr. Speaker:

I am honoured, Sir, to present my first Budget to this Assembly.

In presenting this Budget Address, the fourth for our Administration, I would hope that I can contribute to a reasoned and informed dialogue and debate about the economic challenges, opportunities, and realities facing the Province that all of us in this House serve.

That we will disagree — and in some cases disagree on principle — is to be expected. But I will attempt to set forth clearly the facts about our current economic situation, about the trends and realities in the national and international economy that affect us, about the basic measures this Government has already taken to protect the security, the standard of living, and the ability of Manitobans to grow, and about the course of action we will be following in the months ahead.

I will not try to pretend away the real difficulties that we must face. But I believe it is important to begin by recognizing that the basic economy of this Province is strong. Our diversity, our resources, and the abilities and enterprise of our people — together, in my view, with the prudent policies and management of this Government — have combined to ensure that our standard of living is not threatened and that our quality of life remains among the highest available anywhere in the world. Our services and our institutions have grown in strength and in effectiveness. The key to long term, healthy economic growth — investment in such vital sectors of our economy as mining and manufacturing — has been encouraging. And, we can realistically anticipate today that, over the next months and years, Manitoba will enter a period of somewhat more rapid economic growth, to the benefit of all our people.

But the kinds of challenges and the kinds of opportunities that face us now are different from those we have had to cope with in the past, and I think it is important for us to consider those hard facts of national and international economic life that represent the framework within which we in Manitoba must live.

The difficulties are significant:

— the real growth rates of the 1960's and the first half of the 1970's have disappeared; in 1980, Canada recorded its lowest real growth since 1954

— international financial markets are facing the most serious problems since the 1930's

— Canada and the world are experiencing record inflation, unprecedented interest rate levels and volatility, combined with chronic high rates of unemployment

— the investment climate in Canada as a whole is considered, at best, to be uncertain.

And the ability of governments to respond to these challenges, and of governments within Canada to work together in responding effectively, are also more limited than we would like.

— The glory days of rapidly increasing government revenues are gone.

— The fiscal position of the federal government in Canada is regarded by many as being out of control.

— Federal initiatives in the fields of energy and the constitution have sparked division, disunity and confrontation at a time when we need co-operation and a unified effort to address the economic problems that face us.

Against this kind of national and international background, Mr. Speaker, and against the additional background of the particular problems which Manitobans have faced as a result of last year's drought and other weather problems, this Government can take some satisfaction — and Manitobans have a right to be proud — at what we have together continued to achieve in this Province.

Today in Manitoba, there are opportunities for our young people in the mills, mines, forests, in the institutions and factories, and in the service industries of our Province. The opportunities are here for those who will reach out for them. And in terms of access to the requirements for a good life — from housing to health care to education to recreation — Manitobans need envy no one.

Some parts of this country are not as cold in the winter. Others can offer some industries with higher-paying jobs. But no province in this nation is better positioned than our own — no people are better

positioned or equipped than Manitobans — to enjoy the fruits of continued and healthy long term economic growth.

No people in Canada have more to be confident about, or proud of, than the people of Manitoba.

And I believe that the continued prudent policies and management of the Government of Manitoba which we have endeavoured to achieve, have contributed very significantly to the current health of our economy — in the face of very real adversities — and to the opportunities that exist for us today.

BUDGET BACKGROUND — THE ECONOMIC CONTEXT

The 1970's — A Decade of Changing Circumstances International and National Trends

To appreciate fully the potential which is open to Manitoba, and the obstacles we must overcome to realize that potential, it is necessary to understand the profound changes in the international and domestic economies that have taken place over the past decade.

The growth rates for the major industrial countries tell much of the story. Real growth in the economies of member nations in the OECD — the Organization for Economic Cooperation and Development — averaged more than 5% between 1964 and 1973, but only a little over half that rate in the remaining years of the last decade. And, in 1980, the average was around 1%. Only once since the energy price explosion has real growth in the OECD countries exceeded 5%, and that was in 1976 — five years ago.

Throughout most of the '60's and into the early years of the last decade, Canada's economy expanded rapidly. Only three times during the '60's did real growth drop below 5%, and never below 2½%. And . . . much the same pattern continued through 1973. That was a period of buoyancy, of relatively low unemployment and stable prices, of rapid revenue growth and a substantial increase in the size of government — at all levels. It was also an era of unsuccessful attempts to "fine tune" the economy by various combinations of broad stimulus and special "make-work" programs.

Then, the pattern abruptly changed. Real growth in Canada was cut in half in 1974, and in half again in 1975, while unemployment increased

and inflation went into the double-digit range. Trapped by the false expectations they had helped to build, governments sought a variety of solutions, including wage and price controls in 1975. At the same time, government deficits increased substantially, as inflation-driven program costs outstripped lagging revenue growth — with indexing now pushing up obligations on the expenditure side while slowing growth in income tax revenues. In the five years from 1974/75 to 1978/79, the federal government's financial position deteriorated dramatically. The annual budgetary deficit increased more than six times, from under $2 billion to over $12 billion and now, of course, it is higher — in the $14 billion range, according to the last federal Budget. Over the same period, the gross debt of the federal government doubled — from under $50 billion to over $100 billion.

Starting in the Fall of 1975, the Anti-Inflation Program provided some respite from the pressures which had preceded it, and it helped "buy time" for governments and the private sector to begin consultations in an effort to work out rational objectives and guidelines for the kind of adjustment process which lay ahead. Members will recall the initial success of the two major First Ministers' Conferences on the economy which were held in 1978 as part of the decontrol process. Unfortunately, the process of cooperation and policy coordination, which began so favourably some three years ago, has been stopped in its tracks.

Manitoba in the 1970's

Of course, national and international economic trends affected Manitoba's economic performance throughout the 1960's and into the 1970's. In addition to a generally buoyant national economy throughout much of this period, Manitoba enjoyed the additional advantage of substantial market improvements in agriculture. In the early and mid-70's, rapid expansion of northern hydro generating capacity, although it was undertaken without establishing markets to justify the massive expenditures involved, and although it resulted in staggering debt loads for Manitoba Hydro, did provide significant stimulus to the construction industry in the Province.

But even early in the 1970's, the signs of an economic downturn were becoming clear in Manitoba — even in the face of a generally buoyant national economy. The New Democratic Party government responded with efforts to buy its way out of difficulties through a variety of make-work programs, with massive investments of the taxpayers' money

into failing business enterprises. They did not address the basic public policies that were contributing to the decline in our economic performance — the uncertainties created by their tax measures and by speculation about government take-overs of industry, such as that prescribed for the mining industry in the Kierans Report.

As government revenues grew more slowly, reflecting the weakening of the Manitoba economy, that government continued to add to a tax structure which had already become one of the most burdensome in Canada and which was already interfering with the ability of Manitobans to compete. And that government borrowed. The budgetary accounting system employed at that time — a system which had already been abandoned in most other jurisdictions and which had been of concern to Manitoba's own Provincial Auditor — obscured the real "bottom line" position of the Province. Foreign borrowings were apparently cheap, although subsequent declines in the Canadian dollar multiplied the cost of the debts incurred by the New Democratic government. The forced expansion of hydro added to that debt load and significantly weakened the overall financial position of the Province.

The emerging weakness of the Manitoba economy was even more apparent in the trends in individual sectors of the economy.

Among our primary industries, agriculture provided major impetus for Manitoba's expansion in the early 1970's in line with world market conditions. The value of production, for example, nearly doubled in a single year — 1973. Then, the situation levelled off and cost pressures on agricultural producers became onerous. The government of the day seemed more concerned, however, with the degree to which it could intervene in the agricultural sector, and focussed what it called an agricultural policy on land ownership, ill-advised taxation policies, including the succession duty and the mineral acreage tax, and misguided efforts to interfere in the market, such as their efforts to foist a government controlled marketing system on Manitoba beef producers.

And by the mid-1970's, excessive taxation and direct government intervention had weakened the mining industry to the point where, by 1977, nearly 50% of all the high risk exploration work being undertaken in Manitoba was being done at the taxpayers' expense, because the industry simply lacked the confidence to invest in Manitoba. Both taxation and regulation had grown so far out of line with other jurisdictions that the industry was effectively crippled in this Province. By 1977, when the government changed, cutbacks in both mineral production and

mining employment had been announced.

In overall investment, public sector capital expenditures played an increasingly influential role in Manitoba in the 1970's, primarily reflecting hydro development. This had an important short-term impact on the economy, but it masked serious problems in the private sector — including major disincentives to expansion caused by an increasing number of new taxes with direct impact on investors:

— the succession duty and gift tax introduced in 1972,

— the sales tax on production machinery, also introduced in 1972,

— the two-tier mining royalty introduced in 1975,

— the corporate capital tax introduced in 1976, and

— the surtaxes on personal and corporation incomes, also introduced that year.

The Report of the Commission of Inquiry into Manitoba Hydro made it clear that the New Democratic government had been strongly advised not to proceed with the forced rate of expansion of hydro generating capability in the absence of clear markets or requirements for additional electricity. The crippling debt burden resulting from the forced hydro construction program soon meant that 50¢ out of every $1.00 of revenue available to hydro was required for interest payments, and hydro rates sky-rocketed, representing an effective extra tax on Manitobans who were already over-taxed. The opportunity to use a stable and well-founded long term program of hydro expansion as an ongoing stimulus to healthy economic development in Manitoba was traded by the NDP for a forced program that improved some statistical indicators for a few years, but that threatened the health of the hydro utility and, in the longer term, of the entire Manitoba economy.

The general climate of disincentive also affected secondary manufacturing and the service sector. Growth was relatively strong during the early years of the 1970's, but when the inevitable decline occurred in the middle of the decade, there was little impetus for turnaround. In fact, the government of the day seemed much more interested in involving itself directly in manufacturing than in establishing a policy environment to encourage private expansion. Consequently, manufacturing investment was in a general decline during the final three years of the former government's term.

As I have said, external factors always play a role in the economy of Manitoba, but it is important to recognize that, in the last three years of the New Democratic government in Manitoba, their own domestic policies resulted in the Manitoba economy performing more poorly than most other parts of Canada. We had, because of misdirected public policies in this Province, become less able to deal with emerging economic problems than other, less-favoured parts of the country. Job creation in Manitoba, for example, lagged behind the rates being achieved in the Maritime provinces with their traditionally weaker economies. In fact, between 1975 and 1977, there was little growth in private sector employment in Manitoba. That record can and should be contrasted with the higher rates of job creation achieved here after 1977, despite the fact that after 1977 the economic problems of the country as a whole became significantly worse.

In total, Mr. Speaker, because of the policies and practices of the New Democratic Party government in Manitoba from 1969 until 1977, Manitoba did less well than it should have in the face of generally favourable external conditions, and did considerably worse than it need have — even as early as 1975 when other economies in Canada were still growing relatively strongly.

The Situation in 1977

It is instructive to review the economic and fiscal situation of our Province in 1977 — the last year for which the previous government had responsibility. Some Members of this House seem sometimes to have forgotten the facts of that situation, but it is important to remember them, because that is the base from which the people of Manitoba and this Government began the process of recovery and rebuilding.

— On Budget night in April, 1977 the Minister of Finance projected 1977/78 expenditures, including capital, would be $1,267,520,900. By mid-year, the projection had risen to $1,338,952,600, up $71,431,700.

— On Budget night in April, 1977 projections issued by the Minister of Finance indicated a deficit on capital and current accounts totalling $109,513,400. By mid-year, the deficit projection was $225,059,000, up $115,545,600.

— In 1977, 6,000 jobs were lost in the manufacturing sector, after a loss of 5,000 the year before.

— Painful reductions in the mining work force began in northern Manitoba.

— The government was heavily involved in businesses that had lost scores of millions of taxpayers' dollars.

— Massive investments in the range of $350 million per year in hydro development in northern Manitoba had to be terminated by the New Democratic administration because even they at last realized that such a pace of forced growth could not be sustained.

— Hydro rates were skyrocketing as a direct result of that premature and unnecessary expansion in capacity; from 1974 to 1977, hydro rates doubled — and no end to those increases was in sight.

— Retail trade increased only 4.4% over 1976.

— $33.5 million was pumped, post-budget, into make work employment programs.

— The total jobs expanded by only 3,000, as did the number of public administration employees, but 9,000 people had entered the labour force, leaving 6,000 more unemployed.

— So . . . the unemployment rate rose from 4.7% to 5.9%.

— And, even according to figures accepted and published by the Members Opposite, real economic growth declined from 4.2% in 1976 to 0.8% in 1977.

That was the economic and fiscal position when this Government took office after eight years of New Democratic Party Government in Manitoba.

Mr. Speaker, in April of 1977, when the Member for Seven Oaks presented his first and only Budget as Minister of Finance in that New Democratic Party Government, he enumerated — proudly — many of the new programs which had been introduced during the life of that government. And let me say that — in our view, and in the view of Manitobans — some of those programs were good; many have been continued and improved under our Government.

But too many of the directions of that government were wrong. Its management of the public affairs of Manitoba — and of the taxpayers' money — was lax, and waste and inefficiency eroded many of the best things that government tried to do.

But more than that — the attitude of that government, an attitude they held in common with all socialist parties I know of — seemed to be that Government in Manitoba knew better than Manitobans themselves did. And, with that attitude, they increasingly interfered with the efforts of Manitobans to lead their own lives, make their own ways, raise their own families. The tangible results of that attitude were everywhere — in the dramatic growth of the civil service and in the systematic politicization of what had always been one of the best services in Canada; in the new controls and regulations that abounded; in the ongoing purchase of private farmland by the government, turning more and more Manitobans into tenant farmers of the state; in the tax imposed on mineral rights; in the take-over of private businesses.

Because they believed that government knew better than Manitobans, they substituted the judgement of their bureaucrats for the free decisions of people throughout the Province. They distrusted Manitobans, and out of that distrust felt free to treat one group after another as enemies. In doing so, they attacked and eroded our sense of community. They eroded the civility that traditionally has marked political life in this Province.

And, by their policies, they contributed to the sorry fiscal and economic sutiation which existed in Manitoba in 1977, when Manitobans, tired of the practice and the envy-ridden attitudes of socialism — chose, by a greater proportion of the vote than that granted by any other government in our modern history — to elect instead a government that would have faith and confidence in the judgement, ability and resourcefulness of the people of this Province.

The Economy Since 1977 — Objectives for Recovery

Turning the economy around and rebuilding confidence have occupied much of our Government's attention since taking office.

Our most immediate priority, of course, had to be to restore order in the financial situation in this Province — to regain control over expenditures . . . to re-establish the principle of fiscal responsibility in government . . . and to put an end to the insidious assumption, both within the public sector and outside, that government has an unlimited capacity to spend money — and the ability to correct every economic and social problem, real or imagined.

As we took care to emphasize at the time, restoring a secure budget-

ary base was the essential first step not only to preserving essential public services, but also to restoring a healthy economy . . . and that step has been taken.

But, since 1977, substantial progress has been made toward many of our Government's other major economic priorities.

- **Among our first objectives was to encourage expansion in the private sector by making it clear that, unlike our predecessors, we saw private initiative as having the key role in turning the economy around.**

  And . . . despite difficult external pressures to which I have already alluded, the private sector has responded to that challenge strongly and effectively. Between 1977 and 1980, total private sector employment increased by approximately 30,000.

- **An equally important and directly-related objective was to increase competition and reduce government intervention in the day-to-day decision-making that is so essential to making our market economy work effectively.**

  Again, we have made progress, although not as much as we would have liked. Our Government has been in the forefront of regulatory reform efforts across the country, and we are continuing to co-operate with other provinces and the federal government in improving the regulatory process while we await the final report and recommendations of the Economic Council on this subject, now expected in about six weeks.

  In addition, we have attempted, wherever possible, to extricate the taxpayers of Manitoba from their involvement in a variety of "business" ventures undertaken by our predecessors. The problem with government involvement in the producing sector is not the theory . . . it is the fact. With some exceptions . . . which we are prepared to acknowledge . . . governments do not manage enterprises well, and the reason is simple: There is no bottom line, no personal stake, and no real accountability.

- **We also set as a goal the encouragement of expansion and diversification of our industrial structure, particularly in manufacturing, where the greatest potential exists for permanent job creation.**

  Here too, the record speaks for itself. The past three years have

seen significant upswings in manufacturing. Growth in the value of shipments, for example, has exceeded the national average in each of the last two years, and the total reached $4.3 billion in 1980. Manufacturing employment growth has effectively restored the losses which occurred between 1975 and 1977, and the rate of increase in manufacturing investment has totalled 54% in the last three years, according to Statistics Canada. Not surprisingly, perhaps, the 1980 estimate was reduced from earlier forecasts, but the overall gain since 1977 has still been substantial.

- **We also stressed the importance of renewed development of our natural resources, for the benefit of northern Manitoba and the entire Province.**

  In the last two years, this is exactly what has occurred. The value of mineral production increased by 28% last year to some $834 million, following a 40% increase in 1979. And — new records have been set in exploration. Expenditures doubled from $16.6 million in 1979 to $31 million in 1980. And, substantial new investment is underway.

  To a degree, the improvement in the industry reflects international market conditions, but it is also a direct result of our Government's efforts to assure that mineral resource development policies in this Province, including tax and royalty rates, are competitive and fair — both to the industry, to encourage expansion, and to Manitoba, to guarantee satisfactory direct and indirect returns.

  A record high $32 million was also spent on oil exploration and development last year . . . and recently we have heard encouraging news regarding new oil discoveries.

- **We also emphasized the need for greater stability and fairer returns in agriculture, which remains the backbone of our economy.**

  The agricultural sector has been subjected to severe pressures in recent years, including adverse weather conditions, an inadequate national grain handling and transportation system, unsatisfactory federal agricultural policies, and significant increases in operating costs. Despite these factors, however, preliminary estimates indicate that the total value of agricultural production in Manitoba reached a new record of almost $1.7 billion in 1980, a slightly larger increase, at 7%, than was recorded in 1979. It goes without

saying that a significant part of this increase can be attributed to improved prices, rather than increased volumes.

Farm cash receipts also went up — to $1.4 billion, an increase of about 9% over the 1979 total. However, such figures obscure the hardships faced by many agricultural producers, as well as the significant negative impact of the drought on potential production and on producers' net income positions. Still, the special assistance measures we were able to introduce last year proved quite effective in backing up the determined efforts of the producers themselves to prevent permanent damage to the agricultural sector, and particularly to livestock production, which had appeared especially vulnerable.

- **Along with the priorities I have outlined, another, overriding objective has been, and remains a continued fight against inflation so far as it is within our power to do so.**

Inflation is a national and international problem over which individual provincial governments have just about no control, and, in important, related areas — such as monetary, interest rate and exchange rate policies — do not even have any significant input. But, we have made every effort to avoid contributing to inflationary pressures. We have cut taxes, and have held our expenditure growth, on average, to a rate below the trend rate of growth of Gross Provincial Product, as agreed to by all senior governments in 1978. We have also provided increased assistance for Manitobans with low and fixed incomes through the specially-targeted White Paper programs and, of course, we have frozen hydro rates.

During 1980, there were the usual month to month fluctuations in the Consumer Price Index, but the average C.P.I. for Winnipeg was marginally below the national average last year.

- **Finally — and perhaps most important in terms of what a provincial government realistically can expect to do — we pledged ourselves to ensuring that we would keep the cost of government within the means of our taxpayers.**

Again, I can say without hesitation that we have gone a long way towards that goal. We have reduced or eliminated a significant number of taxes, and, at the same time, we have been able to provide an expanded range of public services which we believe are substantially more effective — and of better quality — than

those in place when we took office.

The measures this Government has taken have helped, supported, and complimented the efforts and contributions that Manitobans themselves have made — with the result that, against that difficult national and international background I have described, and against the flood and drought problems we have faced, our economy has performed well in the last few years. Manitobans have achieved this healthy economic performance without the "pull" of strong national growth, without the stimulation of a forced and economically unsound program of hydro construction.

And — through their efforts, and because of their abilities, we are now in a position where we can look forward to somewhat more rapid economic growth in the next few years.

The Economy in 1980

It is worth noting that most of the statistics I have cited include preliminary figures for 1980 — a year in which, as I have emphasized, our economy not only felt the effects of the national downturn, including the resurgence of inflationary pressures and record interest rates, but also the drought and the further damaging weather problems which followed later in the year. In those circumstances, it was not a surprise that Manitoba, like Canada, is estimated to have experienced its lowest rate of growth in a quarter century. In fact, it appears that the majority of provinces had zero or negative growth last year, and that includes the Province of Ontario, which recently has been building up a theoretical entitlement to equalization.

Recent estimates by my Department indicated that the percentage change in Real Gross Provincial Product was approximately minus three quarters of one percent in 1980 and that our real growth would have been fairly close to the national average had the drought not occurred.

But the main point, in our view at least, is not the precise percentage involved. The main point is that, because of our resources, the diversity of our economy, the prudent policies and management of this Government, and — most importantly — the abilities and achievements of Manitobans themselves, the economy of this Province has once more achieved the kind of health which makes it possible for us to withstand even the exceptional pressures of a year like 1980, without reductions in our standard of living or in the quality of life we have built for ourselves in this Province.

At the conclusion of my Address, I will table a more detailed economic review in which Members will find additional comparisons and information on other sectors.

The review points out, for example, the substantial improvement in tourism expenditures in 1980 — an increase of 14% to $427 million — the largest rate of increase in at least a decade. The review also notes that retail trade passed the $3 billion mark for the first time in 1980. While the average rate of growth was just over 7%, recent monthly increases have been more encouraging.

The review also helps put the housing situation in perspective. High mortgage rates and the supply-demand adjustment problem have affected most provinces, but have been more obvious here in the wake of the residential construction boom in 1978. Again, however, preliminary information for the past few months suggests that the housing market may be strengthening once more, prompted in part by a growing recognition of the comparatively favourable price situation in our Province.

And finally, the review comments on the subject of population and the pull on our Province, as on others, of the energy "boom" conditions in the provinces to the west of us, and particularly Alberta. The Statistics Canada estimates have shown an improvement in recent months, but we will have to wait for the results of the June, 1981 Census, which should be available in early 1982, to have a more accurate picture of the trend over the past five years — as well as a more reliable base, we hope, for future projections.

It is important to note, however, that negative net inter-provincial migration is nothing new to Manitoba. It has been a fact of life in this Province for at least twenty years. What **is** new is the impact of the rapid expansion of Alberta's economy on migration patterns throughout the country. That has affected us, of course, but it has affected every other province as well. Still, the underlying strengths and the policy changes I have outlined rule out a significant downturn in population. In fact, they provide the basis for steady and respectable growth in the years ahead.

The 1980's — Prospects and Policies for the Future

The National Outlook

I want to turn now to the outlook for the balance of this year and for the medium-term.

Prior to the federal Budget last October, it was widely estimated that

real growth in the Canadian economy would be in the 2% to 2.5% range in 1981. However, the Budget itself forecast a rate of 1%, and within a matter of weeks after it was presented, we saw most other projections lowered too, as the negative effects of the National Energy Program became clear. However, more recently, and in the wake of strong national accounts data for the fourth quarter of last year, there have been a number of upward revisions in national forecasts once again. The range is now fairly wide — with some predictions up to 3%.

But, while there is a great deal of uncertainty surrounding these figures, what is certain is that Canada is capable of a better performance, given the major advantages our country enjoys relative to other industrialized nations.

Unfortunately, the federal government apparently chose, when it regained office over a year ago, to assign a secondary priority to economic recovery. It seems to have determined, instead, that the interests of Canada would be better served by placing primary emphasis on constitutional change . . . and, at the same time, on a series of measures designed to strengthen the effective power of the federal government in relation to the provinces and to the private sector. The costs of that policy choice in terms of lost output . . . lost investment . . . lost jobs . . . and lost incomes . . . are already being felt across the country, and will continue to be felt for years to come.

In August of last year, at the 21st Annual Conference here in Winnipeg, the ten provincial Premiers joined in calling on the Prime Minister to renew the process of federal-provincial consultation on fiscal and economic matters and to convene a full-scale First Ministers' Conference on the Economy at the earliest opportunity later in the year to discuss such issues as inflation, interest rates, the national budgetary and balance of payments deficits, and productivity. Unfortunately, the Prime Minister has refused to agree to such a conference, even though similar suggestions have been made by individual Premiers on a number of occasions in recent months.

This is a regrettable situation for our federal system and for our economy . . . because many of the major economic challenges we now face must be dealt with by both levels of government in concert if we are to have any real hope of resolving them effectively.

The current inflationary situation is one of the most obvious examples. Members may recall that it was only three years ago today — April

14, 1978 — that the Anti-Inflation Program phase-out began. At that time, the federal government emphasized the importance of consultation in the decontrol and post control periods as one way of avoiding a build-up of the kinds of pressures which led to wage and price controls.

Now, of course, we have heard the prediction by the federal Minister of Finance that consumer prices may well exceed 12%, on average, in 1981. And now, we are also hearing increasing speculation about the possibility of a reimposition of some form of guidelines or controls. While there may be emergency circumstances in which controls are the only choice possible, our Government believes, as a matter of fundamental principle, that resorting to that kind of intervention in the economy on a regular basis is a grave threat to our competitive market system. We do not want to see controls become the only policy choice for dealing with inflation because governments in Canada have abandoned their responsibilities and avoided hard decisions. The two First Ministers' Conferences on the Economy in 1978 — and the policy guidelines which were developed and agreed upon at those conferences — were a promising start towards making those kinds of decisions on a **joint** basis. It is essential to resume that kind of consultation as soon as possible. If controls replace consultation and fiscal and monetary prudence as a standard and accepted part of economic policy in Canada, that will mark not only the end of the free market system as we know it . . . but the concomitant reduction in individual freedom which is so intertied with economic freedom. I hope that is as well understood by labour and business as it is by those of us in this Government.

Another, related issue which demands genuine consultation is energy policy. Our Government welcomes the renewal of formal discussions between the federal government and Alberta which began here in Winnipeg yesterday. But, while energy pricing is a subject which, traditionally, has been negotiated primarily between the producing provinces and the federal government, other energy issues have in the past . . . and should continue to be . . . the subject of discussion by all senior governments. A successful First Ministers' Conference on Energy was held in November, 1979 under the chairmanship of Prime Minister Joe Clark but no such conference has been held since, and, again, none is scheduled. Instead, the people of Canada and the producing provinces have been subjected to an imposed federal policy whose negative effects are being felt in every province.

The Short and Medium-Term Outlook for Manitoba

I want to turn now to the outlook for our Province.

Manitoba enjoys every major prerequisite for economic growth in the 1980's. It is important not to underestimate the very significant advantages we enjoy in this Province — advantages that most others in the world would consider to be a virtual guarantee of long-term economic security and health.

- A strong, diverse and balanced economic base which, in 1980, proved its maturity and resilience . . . its capacity to bend without breaking . . . and which, in the year ahead, should resume the process of recovery with renewed vigour;
- an industrial base which, though in need of expansion, does not need to undergo the kind of drastic adjustment and restructuring now facing key industries in the central provinces;
- an abundance of natural resources . . . not only mineral wealth, but rich agricultural land and a vast water supply . . . and . . . our single most important industrial resource . . . hydro . . . has assured us of a guaranteed, renewable energy supply — for our own use as a development tool, and as a permanent source of strength for our entire region;
- important locational advantages. While geography has had a constraining influence, it also has a positive side. Our central position affords us important access to markets within the western region and throughout the continent, given improvements in various forms of transportation and communication;
- social, cultural and recreational amenities, and a quality of life second to none;
- finally and most importantly, the proven abilities of the people of Manitoba themselves whose enterprise and imagination have already made this one of the best places on earth to live. There are now close to a half million men and women in our labour force; they are educated, skilled, motivated, and have proven throughout our history their ability to overcome challenges and build on the opportunities that have existed for Manitoba.

And we face both challenges and opportunities in the months and years ahead. The after-effects of last year's drought will continue to be a problem in the short term. We — along with every other province in

Canada including the oil producing provinces — continue to be vulnerable to the negative effects of national policies. We also face a number of specific challenges in Manitoba.

- We have problems of scale in much of our industry; if we are to take advantage of the opportunities that exist, we must expand and, in some cases, upgrade, our capital stock and productive capacity; to do so, we must continue to be able to attract outside investment — we must stay a competitive place to invest and do business.

- As our economy changes and grows, we must equip Manitobans with the special skills that will be needed in the future; for us, as for other parts of Canada, a shortage of skills will become a major potential problem as we grow.

- Our geography and location make us particularly vulnerable to national transportation policies which continue to mitigate against balanced economic development in Western Canada; within our own Province, we face the challenge of providing adequate employment opportunities and access to public services for residents of rural, remote and northern areas.

- We will face the same demographic challenges that all North America must learn to cope with, as the age distribution of our population changes to place extra pressures on our public services and income support programs.

- And we face, in Manitoba, a recurring problem of public confidence. In large part, this grows out of the kind of public policy debate that we have faced in this Province since 1977, in which members of the New Democratic Party have seemed to believe that they can best gain politically by denigrating the achievements and potential of the people of Manitoba, and by deliberately creating uncertainty and doubts about the value of the things Manitobans have already achieved, and the ability that we believe exists in this Province to achieve even more.

I would hope that in the public policy debate that will take place concerning this Budget, we could at least begin with an agreement about the abilities and resourcefulness that exist among the people of this Province. We will, of course, disagree — based on our differing views of how the world works and ought to work — as to the specific policies and attitudes that government ought to adopt. But surely we do not disagree

about that, and surely no one who has looked around him in Manitoba — at the ability, the resourcefulness, the enterprise of the people who live here — could continue to counsel despair.

In 1980, our economy — and the men and women of Manitoba who make that economy go — have withstood the most severe test in recent memory. And today, we stand on the threshold of a time of real opportunity — for sustained and steady economic growth. I believe — and this Government believes — that we have every reason to be confident. And in this Budget, we are expressing that confidence clearly. Manitobans have much to be proud of, and will, we believe, achieve a great deal more in the months ahead.

Assuming only normal conditions for agriculture, we currently estimate that Manitoba's total output in 1981 will increase at about the same rate as the Canadian national average. We anticipate some continued recovery in housing, and some strengthening of the retail sector. We are more than usually cautious in our forecasts, because of the volatile international interest rate situation and a variety of other external factors I have discussed, but on balance, we believe our confidence is well-founded.

As I have said, by comparison with most other parts of Canada, our unemployment situation is enviable, and our record of job creation should be a source of pride to Manitobans. That record has been achieved — not by "make-work" schemes paid for by the taxpayer — but by the healthy growth of the private sector in Manitoba. We believe that is what Manitobans want: they want real jobs for our young people, useful jobs, jobs that contribute to our total well-being and our total economic strength, and jobs that offer real career opportunities.

There will continue to be employment opportunities, from time to time, within the public service of Manitoba, helping to carry out the important responsibilities of government within our mixed economy. But there will be no "make-work" projects to create phoney jobs that offer neither real satisfaction nor long term opportunities. We continue to believe that, by leaving money in the hands of the people who work to earn it, instead of taxing it away, we make it possible for them to create the real jobs and the real opportunities that Manitobans have a right to expect — and we believe that is what the vast majority of Manitobans wish us to do.

It is important to add, in discussing our prospects for the year ahead

and beyond that the forecasts up to now do not reflect the major capital projects now being negotiated . . . aluminum smelting, potash mining, forestry expansion and the Western Power Grid. These projects will provide substantial added momentum to our economy in the medium-term. The projects will involve major direct investment with major multiplier effects — substantial "spin offs" — which will have a positive stimulative effect across most sectors of the economy. They will add to the opportunities available for Manitobans. They will increase our ability — not merely to meet our own objectives in this Province — but also to play a fuller and more effective role in the overall economic life of Canada. We have expressed already our determination that the industrial benefits of these major economic undertakings will, so far as possible, accrue to Manitoba, other Western, and other Canadian manufacturing enterprises. This kind of conscientious effort to manage and direct the secondary benefits of major developments is something which the last government ignored, but we believe it is critical — to our own well-being in this Province, to the general health of the Canadian economy, and to the unity of the country.

In many ways, the most important of these projects will be resumed development of our northern hydro resources, based on assured new markets. The potential for stable and ongoing hydro development as a lynch pin in our economic growth — a potential that the New Democratic government sacrificed through its ill-conceived program of forced hydro expansion — represents perhaps the most significant long term opportunity facing Manitoba. It is an opportunity that, this time, will not be wasted.

This summary of some of the major opportunities open to Manitoba should help to clarify our Government's view of the appropriate role for the public sector in economic development. We believe that the competitive market system should be the fundamental mechanism for economic decision-making and the private sector the primary engine of economic growth in our society. Our economy is a mixed economy, and within it, government and the public sector also have important roles to play. Under this Government, those roles have been effectively and efficiently discharged. But unlike the New Democratic Party or other socialist parties, we do not believe that government should have the primary decision-making role in the economy; we do not believe that the judgment of ideologues and bureaucrats should be substituted for the free economic choices of individuals.

Our aim is to ensure we have the right kind of policy environment to

encourage as much productive private development as possible. That requires competitive tax policies and stable and co-operative economic policies — not sudden shifts of policy, threats of take-over, and pointless confrontation and uncertainty. Simply put, we believe in an economic policy of moderation and common sense — with the private and public sectors working together — toward realistic goals which recognize the strengths of the Manitoba economy and the aspirations of the people of this Province. These are not the kinds of policies that produce dramatic, overnight changes in the economy. They take time. But they also provide the kind of stability and predictability which are so essential to encourage major investment projects such as those now ahead of us. And, given the continuation of that kind of responsible policy environment, there will be more of those kinds of investments in the future.

Before turning to the specifics of our budgetary policy for 1981/82, I want to raise an additional matter which bears directly on our ability to assess fiscal and economic policy options.

A few years ago, the Lambert Royal Commission on Financial Management and Accountability recommended adoption of a system of medium-term budgeting at the federal level as a key to more responsible and accountable policy-making. That recommendation was accepted and implemented by the Progressive Conservative Administration of Prime Minister Joe Clark and it has been continued by the current government. Subsequently, there have been a number of recommendations that provinces adopt a similar medium-term approach to budgeting. A few provincial governments have made major progress towards this goal, and most others appear interested in moving in this direction as time and staff resources permit. I wish to advise the House that our Government has also assigned a high priority to expanding our analytical and forecasting capacity in order to permit us to improve our assessment of key options for growth in Manitoba.

BUDGET POLICY

Policy Circumstances and Choices: 1977/78 - 1980/81

Earlier, I outlined the success that Manitobans have achieved in meeting a series of key economic objectives — a success towards which prudent policies and management of this Government have contributed in a significant way.

That success has been mirrored on the budgetary side as well.

After years in which relatively little attention was paid to expenditure growth or to the real "bottom line," the principles of fiscal responsibility and accountability had to be re-established as the fundamental working guidelines of the Government of Manitoba.

And, as our 1980 Budget pointed out, we have achieved or made marked progress toward every one of our initial fiscal policy objectives. But, our success does not mean these objectives will be set aside. Tonight, I want to reaffirm our Government's commitment to those guidelines:

— a reduction in the Government's demands on the economy. We have held the rate of growth in expenditures below the average rate of growth of total output during our time in office;

— greater efficiency in government programming, to ensure that improved and expanded services can be provided for those who require them;

— rationalization of taxation measures, to simplify our tax structure and make it more competitive; and

— improved financial reporting — to ensure that the citizens of Manitoba have up-to-date, factual and understandable information about the Government's budgetary position.

Under the previous administration, provincial expenditure growth habitually exceeded the overall growth rate of the provincial economy. In the four years from 1973/74 through 1976/77, expenditures increased at an average of nearly 20% a year, while the average growth in Gross Provincial Product was some 4 percentage points lower. By 1977/78, provincial expenditures were equivalent to more than 19% of G.P.P., up close to 7 percentage points from just over 12% in 1968/69.

Since that time, as I indicated when I tabled the Main Estimates of Expenditure earlier this year, our Government has succeeded in holding the rate of growth of provincial expenditures, on average, to below the trend rate of growth of total output — in line with the commitment made by all senior governments at First Ministers' Conferences in February and November of 1978.

That commitment was seen as a key element in the continuing fight against inflation, and we believe it should remain a primary guideline for fiscal policy. Of course, the guideline does permit flexibility, since it is based, as it should be, on a medium-term perspective. In certain years,

circumstances may require the expenditure growth rate to exceed the G.P.P. growth rate. This will probably happen in the 1981/82 fiscal year in Manitoba because of such factors as the major increase in support for education, and the cost of the hydro rate freeze. What has to be avoided, however, is the expectation that there will be — or indeed can be — real growth in total government expenditures every year.

The controlled pattern of expenditure growth in Manitoba over the last few years has had major beneficial results. Faced with a serious deficit problem and with a program structure which did not reflect realistic priorities, our Government recognized the necessity of constraining overall expenditures. Contrary to predictions that "it couldn't be done," we were able, in our first full year in office, to hold total spending growth to zero without damaging any essential social programs. I should say, of course, that not all programs were held to "zero." There was significant growth in health and education, for example, while low priority or unnecessary expenditures in other areas were reduced or eliminated.

That year of transition provided us with essential "breathing room" — a chance to assess policies and programs, and to realign them where necessary. Then, the following year, we were able to move ahead with clearly-defined priorities and programming which had been carefully screened for effectiveness.

Since that time, prudent expenditure management has continued to play a major part in the substantial improvement in our financial position. Our success in restoring a secure budgetary base in this Province has, perhaps, been obscured by some of the unavoidable economic pressures we have experienced. The figures are worth repeating:

— When we took office, we found a projected deficit for 1977/78 of at least $225.1 million . . . and some $110 million more, if so-called "uncommitted" projects were included, that is, projects which were ready to be implemented but for which contracts had not yet been signed. That figure, of course, was on a combined accounting basis. The "current" deficit under the old accounting system amounted to $129 million. The remainder was the net deficit on the old "capital" account. The accounts were combined on the recommendation of the Provincial Auditor and in line with procedures followed in most jurisdictions in Canada. In addition, the U.S. Securities and Exchange Commission and other regulatory and rating agencies, as well as investors, required complete expenditure information so as to better under-

stand our financial position.

— By the end of 1977/78, as a result of many tough decisions and actions, there had been some improvement, with the year-end deficit standing, on a combined basis, at $191.3 million, excluding sinking fund payments.

— To put that figure in perspective, it is important to note that the $191.3 million total was equivalent to approximately 12% of total expenditures, while the percentage would have been even higher, some 17%, if the "uncommitted" projects had proceeded.

Since that time, the situation has improved substantially, both in absolute and relative terms.

— In 1978/79, the annual deficit was reduced to $84.3 million.

— A year later, in 1979/80, the year-end deficit was $45 million.

— Last year's Budget, for 1980/81, forecast a deficit of $139.6 million. Subsequently, however, that figure was raised to approximately $191 million when supplementary expenditure authority was approved for drought relief and forest fire suppression. As Members are aware, a substantial portion of that supplementary authority was not required. That fact, coupled with normal lapsing of authority and improved revenues, both from our own sources and from federal transfers, have resulted in a 1980/82 deficit which we now estimate — although I would caution that the books of the Province are not closed, and that this is an early estimate — at about $100 million. This represents an improvement of around $91 million from the total amount authorized for the year and a reduction of around $32 million from the projection at the end of the third quarter.

It is difficult to grasp the full significance of these figures without reference to the situation that **could** have occurred had our Government not acted decisively to restore sound budgetary procedures. We have estimated, by projecting the average rate of growth in provincial expenditures in the last four complete fiscal years under the previous government, and using revenue estimates adjusted by adding back the tax cuts we have implemented since 1977, that by 1980/81, the Province of Manitoba would have faced a cumulative deficit for the past three years of more than $1.5 billion. Instead, the total deficit for the 1978/79 to

1980/81 period has been around $229 million — a difference, over those three years, of at least $1.3 billion. Without that improvement, without that "breathing space," the taxpayers of Manitoba would be facing a near disastrous situation in the short-term and substantial added interest costs in years to come. A number of policy choices would have been closed off. The ability to respond to unforeseen emergencies, such as last year's drought, would have been severely impaired, and the Government would have faced an even more difficult situation for the coming years — with potential federal transfer payment cuts adding to the pressure on the bottom line.

The Members Opposite will no doubt argue that they would not have allowed this to happen — that they would have curtailed expenditure growth . . . or raised taxes . . . or both. Based on their record, and on what we know about their present policies, it can be assumed that the latter option was more likely than the former.

In any case, while I acknowledge that the projected figures are hypothetical . . . they do clearly indicate that our Government has turned our financial position around and given us the flexibility — the range of policy choices — that are absolutely essential at a time like this, when we are facing uncertainty at the national level and are at an important point in our economic recovery.

For the year ahead, we have been able to set a Budget which will make possible significant program improvements without the need for a general increase in taxes. While some other provinces have found it necessary to increase taxes in a major way in their budgets this year, we do not believe such increases would be appropriate for Manitoba.

We have confidence that our economy will continue to grow . . . and, as that growth gains momentum, revenues will increase accordingly. We believe that revenue expansion, in tandem with continuing effective expenditure management, will give us increasing scope to improve our overall position.

PROGRAM IMPROVEMENTS: MAIN ESTIMATES OF EXPENDITURE — 1981/82

Before I deal with the estimates of revenue, I want to review the program improvements which our Government has found both desirable and possible to implement.

The Main Estimates of Expenditure which were tabled in early

February provided for an increase of some $303.9 million or 14.66% over the total authority voted for 1980/81.

It now appears that the increase between the actual year-end figure for 1980/81 and this year's Main Estimates will be marginally higher, around 15%. This percentage is comparable with the increases which have been proposed by the other provincial governments which have tabled their expenditure estimates thus far this year.

When I introduced our Expenditure program for 1981/82, I emphasized that the significant improvements it encompassed were being integrated into a program base which, through consolidation, restructuring and prudent management, has been made substantially more efficient and effective. And, I stated that these improvements could not have been implemented otherwise.

I also noted, as an example, that by the end of the 1981/82 fiscal year, staffing levels would still be approximately 1,300 below the levels in 1977/78.

The progress which has been made in the Estimates review thus far in this Session has meant that Members have had an opportunity to consider and approve a substantial portion of our overall expenditure plan. For that reason, I will limit my summary tonight to the principal features.

Program Summary

As Members are aware, over 80% of the increase in the estimated expenditures for 1981/82 was accounted for by the three major departments with responsibility in the area of social programming . . . Health, Education and Community Services and Corrections.

Health

Our health care system required the largest single increase, approximately $115 million or almost 20% over the 1980/81 Estimate.

We have heard assertions in this House and elsewhere that our Government does not regard health care as a top priority and has not provided adequate funds to ensure that standards are maintained and upgraded. That is entirely false. As Mr. Justice Emmett Hall's recent Report on Health Services in Canada indicated, health expenditures in our Province were among the highest in the nation in relation to overall budgetary expenditures and to the gross output of the economy in 1979/80, the last year considered in the report — and expenditures have

increased substantially since that time.

I invite the Members to consider some of the increases on an individual program basis since 1977/78:

— Hospital and medicare expenditures up approximately 56%,

— Personal care home expenditures up 65%, and

— Childrens' dental care expenditures up 182%.

In each case, these percentages are well above the overall growth rate for total provincial expenditures.

Education

The second largest dollar increase in the 1981/82 Estimates was the $101 million or 25% increase allocated to the Department of Education, bringing the Department's total to around $501 million.

Much of the increase, of course, relates to the introduction of the new Education Support Program, the first significant reform of public school finance in this Province in nearly a decade and a half. The new program makes possible the realization of our Government's commitment to pay 80% of the costs of education throughout the Province.

The Education Estimates also contain an allowance of $115.5 million for the Universities Grants Commission, an increase of 13.8% over the provision in the previous year.

Community Services and Corrections

The Department of Community Services and Corrections required the third largest increase in dollar terms in 1981/82. The Departmental total, some $249 million, is approximately $38 million or 18% over the authority for the previous year. Part of this increase covers the estimated full-year costs of "CRISP", the new Child Related Income Support Program which took effect on January 1st. And . . . additional amounts are provided for the Manitoba Supplement for Pensioners and the Day Care Program. The Estimates of the Manitoba Housing and Renewal Corporation and of the Department of Finance contain authority for other related programs.

White Paper Programs

At the conclusion of my Address tonight, I will table a summary

paper on the White Paper Programs, including some specific analysis of improvements in benefits.

The White Paper reforms outlined in the Budget last year represented the most comprehensive and innovative set of income support and shelter assistance program improvements introduced in a single year by any province in Canada. The program reforms bear repeating here.

First — the property tax credit minimum and maximum were each increased by $100, bringing the levels to $325 and $475, respectively. The maximum for senior citizens was increased by $150, to $525.

Second — supplementary School Tax Assistance for Pensioners was increased from $100 to $175, and the threshold for receiving this assistance was reduced from $375 to $325. The program was also extended to pensioner tenants.

Third — the Manitoba Supplement for Pensioners was doubled and extended to pensioners between the ages of 55 and 65. This program, in combination with Old Age Security payments and the Guaranteed Income Supplement, now assures Manitoba senior citizens a guaranteed, basic income of about $5,200 a year for a single pensioner and approximately $9,300 a year for a couple.

Fourth — the Shelter Allowance for Elderly Renters Program — SAFER — was enriched and extended to pensioner tenants between the ages of 55 and 65. The program now covers up to 90% of rental payments in excess of 25% of income. The maximum benefits are $120 per month or $1,440 a year, an amount far in excess of the former $375 maximum property tax credit. The SAFER mechanism also provides an advance payment of property tax credits to eligible applicants.

Fifth — the more comprehensive net family income definition used for federal Child Tax Credit purposes was used in place of the former individual taxable income definition to relate property and cost of living tax credits more closely to the actual income available to each family in the Province.

Net family income, in our view, provides a better measure of family circumstances than the former definition. This view is apparently shared by such diverse groups as the federal government, the Winnipeg Social Planning Council, and was also held by a

former First Minister of this Province who, at the September, 1974 Provincial Premiers' Conference, stated:

"Families should be taxed or supported each as an economic unit, and the definition of income as the basis for support payments and taxation should be more comprehensive than at present."

Sixth — the implementation of the CRISP Program now provides lower income families with up to $30 a month or $360 a year per child. For a family with four children, the maximum monthly payment totals $120, or $1,440 on an annual basis. This maximum level of assistance is available up to a total family income of $10,100. Then, as the total income exceeds this level, the CRISP payment available is reduced gradually as total income increases, with payments phasing out at about $16,200.* The CRISP Program exemplifies the advantages of a targeted approach to assistance. Under the 1979 Cost of Living Tax Credit Program, maximum assistance per child was $15 a year — that is, 3% of the child exemption. Under CRISP, the maximum annual payment per child is, as I said, $360.

Seventh — the SAFFR Program has been implemented to help low income families with children who face high rents in relation to incomes. This measure provides assistance sufficient to cover up to 90% of rent in excess of 25% of income up to maximums of $140 a month or $1,680 a year. Again, this program provides a major increase in the support available to such families compared to the former property tax credit maximum of $375 for the year.

Eighth — major increases were also announced in the Province's support for Day Care, and this support was extended to include noon and after school care as well. I am happy to say that these changes place Manitoba in the forefront of provinces which currently provide such programming. These programs are proving successful in helping many parents to take advantage of work opportunities to provide security and independence for themselves and their children.

Because the White Paper Reforms were so comprehensive, the Government made a commitment to monitor the operation of the programs in their implementation stages to determine their success in providing additional assistance to those who need it most. Our analysis indicates that the programs are working well and that the primary beneficiaries are

*These income totals include Family Allowances and Child Tax Credits.

those most in need of added assistance — lower income pensioners and lower income families with children. However, we are also well aware that a number of Manitobans have expressed concern about certain aspects of the program — and primarily the introduction of the family income concept in the tax credit programs. That change was, of course, intended to redirect benefits in favour of lower income groups but, it is also a fact that in many cases, benefits available under other programs, including the expanded property tax credits, more than offset reductions in cost of living tax credits.

It is worth recalling in this connection that the total provision for benefits under the pre-White Paper Programs in last year's Main Estimates was some $165.5 million. This year's Main Estimates provide for $196.4 million in benefit payments, an increase of $30.9 million or 18.7%.

Cost of Living Tax Credit Modifications

It is important to acknowledge, however, that our monitoring of concerns about the White Paper has demonstrated that there is a significant anomaly for married couples. Maximum cost of living tax credit benefits can vary quite significantly, from as low as $96 to as high as $190.20 depending on the incomes and dependency status of the spouses. The ultimate result has been lower cost of living tax credits for couples where each has an income, including working couples and senior citizen couples, than for other couples with similar net incomes but where a single spouse is the recipient.

To help offset this anomaly, we are proposing to change the calculation of cost of living tax credits for married couples in order that the personal exemptions available to each spouse under the Income Tax Act can be added together. This change will increase the maximum cost of living tax credit for couples in 1981 to $190.20. For a couple with $10,000 in net income equally divided between husband and wife, the change will increase cost of living tax credits from zero in 1980 to $90 in 1981. It ensures that working couples will receive the same level of cost of living tax credits as their single income counterparts. The change will be of particular help to senior citizen couples who will be assured the same level of cost of living tax credit assistance at the same level of net family income, regardless of how that income is distributed between the spouses. For a senior citizen couple with $10,000 in net income equally

apportioned between husband and wife, the change will increase cost of living tax credits by $127, from $82 for 1980 to $209 for 1981. In addition, it will reduce income tax form-filing requirements, since the cost of living tax credit will be claimable on one return filed on behalf of both spouses.

The estimated cost of the measure for 1981 is $2 million. Authority for the additional expenditures will not be required until the next fiscal year.

Property Tax Credits — Increases in Maximum Credits

Earlier, I referred to the increases in property tax credits which were introduced for 1980 and to the substantial increase this year in provincial support for school divisions. However, we continue to believe that a further improvement in direct property tax credit support is also warranted and desirable, particularly for lower income property taxpayers.

I am pleased to announce that, effective for 1981, the general maximum property tax credit will be increased by $50, from $475 to $525. Furthermore, the maximum property tax credit for senior citizens will be increased by $100 from $525 to $625. The basic $325 property tax credit will remain unchanged at the same level as last year but, of course, $100 above the minimum level in 1979. Members may note that this is the first year in which the Government has proposed to introduce an increase which focuses entirely on the maximum benefit level. Our purpose in doing so is to ensure that the full increase in funds available for the Property Tax Credit Program will be directed toward Manitobans with lower and moderate incomes. For example, the general $50 increase in the property tax credit maximum will be available to those with net family incomes of under $15,000. Smaller increases will be available up to a family income level of around $20,000. There will be no increase for those with incomes above that level. For senior citizens, the full increase of $100 will be available to those with under $20,000 in net family income.

The $50 general increase is equivalent to a property tax reduction of 5 mills on a home assessed at $10,000, a reduction of 7 mills on a home assessed at $7,000, and a reduction of 10 mills on a home assessed at $5,000.

The additional property tax credits will be received when 1981 tax returns are filed in the winter and spring of next year. Additional expenditure authority for the changes, which are expected to cost approximately

$9 million in total, will not be required until the 1982/83 fiscal year.

In total — through expansion in such established services as health care, education, and the network of community and social services which exist in Manitoba, and through the major package of reforms introduced in the White Paper last year, I believe we have reflected faithfully the values of Manitobans. As a community, the people of this Province have always believed that we share a responsibility to ensure that each person in the Province has access to a secure and dignified life. Through these advances in the social field, this Government has helped Manitobans to meet that responsibility, more effectively, and more compassionately than we were able to do in the past. That is something of which we in this Government — together with most Manitobans — are extremely proud.

Economic Development Programming

I want to turn now to the economic development side of our expenditure program for the year ahead.

One of the most important economic development initiatives, of course, is the hydro rate freeze which requires statutory authority of $35.8 million in 1981/82. That initiative and others in the economic development field represent a conscious effort by our Administration to de-emphasize "soft", make-work programming and to concentrate our resources on encouraging private sector investment and job creation.

I also wish to comment briefly, here, about our Government's involvement in joint economic development programming with DREE. Most Members will be aware of the sub-agreements which are now in place:

— the value-added Crops Production Agreement

— the Industrial Development Agreement, "Enterprise Manitoba"

— the Water Development and Management Agreement, and

— the Tourism Development Agreement.

Negotiations concerning the new Northern Development Agreement and the Winnipeg Core Area Initiatives are nearing completion, and discussions are proceeding with respect to DREE input in a forestry assistance agreement.

DREE's assistance has been welcome, of course, but we have expressed concern, from time to time, about the adequacy of the cost

sharing ratios proposed for recent agreements and their fairness to Manitoba compared to those in other provinces. We have also noted the degree of administrative overlap which appears to have occurred in some cases. We continue to believe that both levels of government could benefit from more flexible financing and operating arrangements, and that this benefit would be passed on directly, through improved services, to those sectors of the economy the programs are targeted to assist.

SUPPLEMENTARY ESTIMATES — 1981/82

At the conclusion of my Address, I will table Supplementary Estimates in the amount of $3.5 million. The estimates will include:

- $2.2 million to cover the initial costs of the two-year Hog Producers' Insurance Plan announced last week by my colleague, the Minister of Agriculture.

  The Province is prepared to contribute up to $5 million toward the program and, in addition, to make available a loan guarantee of up to $5 million if required.

- $1.1 million is included for the School Grants appropriation of the Department of Education, to increase the authority available for assistance to school divisions under the new Education Support Program, and

- $200,000 for a new program of incentives for super energy efficient housing. This program will involve grants of $1,600 and will apply to 100 units in the first year. The purpose of this initiative is to support and stimulate the application of energy saving technology to housing in Manitoba. Further details on the new program will be made available by my colleague, the Minister of Energy and Mines.

EXPENDITURE SUMMARY — 1981/82

The addition of this supplementary authority will bring the overall 1981/82 expenditure growth percentage to around 15.5% over the latest preliminary year-end estimate for 1980/81. As I indicated when I tabled the Main Estimates, the increase is likely to be about 3% to 4% above the 1980/81 level in constant dollar terms. I want to emphasize again that these expenditures represent what our Government believes to be a prudent and appropriate response to demonstrated program needs in this fiscal year. In preparing the Estimates, the Government was guided by a number of factors, such as demographic trends, long-term require-

ments and the ability of Manitobans to bear the cost of government. The expenditure program now before this Assembly represents what we believe is necessary to achieve needed service expansion, to preserve the quality of our institutions, to relieve inequitable burdens on property taxpayers, to improve the management of our natural resources, to encourage economic development, and, overall, to assure the continuation of the high standard of living and quality of life enjoyed by Manitobans.

REVENUE ESTIMATES — 1981/82

Earlier, I referred to the flexibility and "breathing room" we have been able to achieve in the fiscal position of this Province. As I have already stated, this will mean it will be possible to finance the program improvements I have outlined without a general tax increase this year.

The exceptional problems of the past two years — with the effects of the drought in 1980 and, to a somewhat lesser extent, the flooding of 1979 — have limited the economic growth Manitobans have been able to achieve and, as a result, the growth in revenues available to government in this Province. With more normal conditions for agriculture, and on the basis of the major capital projects that appear likely in Manitoba in the next few months and years, we believe our Province is now entering a period of economic expansion. Any increases in taxes at this time would, in our view, merely hinder the efforts of Manitobans to achieve that faster growth. On the longer run, we will require additional revenue to pay for expansions and improvements in government programs, but we are confident that sufficient revenues will be generated — not by growing taxes, but by the growing economy that Manitobans are capable of achieving.

Mr. Speaker, it is worth pointing out that we have now presented four Budgets, and that not one of those Budgets has contained a general increase in personal or sales taxes. There have been some increases in tobacco and alcoholic beverages taxes and, last year, the gas tax was converted to an ad valorem system, just as it has in most provinces, but overall, our major emphasis has been on tax cuts — to restore a fair, competitive system of financing public services in this Province.

I want to review those tax reductions here, because they have affected virtually every major revenue source:

First — almost as soon as we took office, we reduced the general personal income tax rate from 56% to 54%, and we phased out the

temporary surtax on personal incomes on schedule, at the end of 1978. These measures are providing all Manitobans with permanent decreases in their provincial income tax liabilities.

Second — we abolished succession duties and gift taxes effective October 11, 1977. This has been of particular importance to farm families and to small, family-owned businesses.

Third — we reduced the corporation income tax for small business in this Province from 13% to 11%.

Fourth — we increased the corporation capital tax exemption for small business from $100,000 to $500,000 in 1978, and to $750,000 in 1980.

Mr. Speaker . . . the Members Opposite have spoken about the impact of high interest rates on small business and have suggested special provincial government assistance, but to mean anything in today's circumstances, such assistance would have to be substantial, and would be beyond our present capacity to provide. It is worth noting, though, that the suggestion comes from those whose understanding and treatment of small business, when they were in office, was to tax and harass this critically important group in our economy in a way unknown previously in our history as a Province.

Fifth — we introduced reforms in Manitoba's mining tax structure in 1979, which not only have assisted in restoring confidence in the industry but also have generated revenues in excess of those achieved in the years the former system was in effect.

Sixth — we abolished a number of nuisance taxes, including the mineral acreage tax and the Mining Royalty and Tax Act levies for quarry operators.

Seventh — we also provided new and extended sales tax exemptions for children's clothing, restaurant meals, safety equipment, certain farm use items, and insulation materials, and

Eighth and finally — we provided gasoline tax incentives for the production and distribution of gasohol.

Overall, these reductions have helped to restore a tax structure in Manitoba which is reasonably competitive with the tax systems in other provinces . . . but we want to do more. In future years, we intend to introduce further reductions as economic and revenue conditions permit.

In so doing, we intend to be guided by the principles of fairness, moderation, and common-sense. Our Government believes in the importance of "ability to pay" in taxation, but we do not believe that principle should be misused to justify tax burdens which destroy the incentive and the initiative on which our economic system depends.

For 1981/82, however, our main revenue priorities are to preserve the reductions we have already implemented and to secure additional funds, where practicable, without undercutting our prospects for recovery.

Four of the six provincial Budgets which have been introduced this year have provided for an increase in taxation of tobacco. We intend to do so as well. Effective at midnight on May 3, 1981, the provincial tax will increase by 5¢ per package of 25 cigarettes, from 30¢ to 35¢. Similar adjustments will apply for other tobacco products.

This change is expected to yield an estimated $5 million in a full year.

I should add that two provinces, Quebec and British Columbia, along with the federal government, have implemented procedures to adjust their tobacco tax levies in line with price increases. It may be appropriate for our Province to consider a similar change.

Liquor Commission mark-ups will also be increased to raise an additional $4 million in the current fiscal year.

A further improvement of $24.8 million in the Province's general revenues will be achieved through the transfer to the consolidated fund of the balance remaining in the special municipal loan and general emergency fund.

The Act will be repealed during this Session of the Legislature, since it is inconsistent with our accounting principles and runs counter to the goals of governmental accountability to the Legislature and to the taxpayers.

Revenues for 1981/82 will also be affected by certain technical adjustments in the corporation capital tax and in the sales tax on machinery and equipment.

Two changes are proposed for the corporation capital tax:

First, "wholesale paper" that is, lien notes, will be excluded from the corporate capital tax base for farm machinery, truck and automobile dealerships effective July 1, 1981. This change recognizes the

particularly difficult circumstances these retailers have experienced as a result of the interest rate situation. The amendment will reduce the capital tax payable by these dealerships by about $250,000 annually.

Second, the capital tax base for trust and loan companies and banks will be aligned with those of other provinces, and the applicable tax rate will be increased from the present ⅕th of 1% to ⅗ths of 1% for trust and loan companies, and to ⅘ths of 1% for banks. Revenues will remain unchanged, but the reporting requirements facing these financial institutions will be simplified. The effective date for this change will be July 1, 1981. Credit unions will continue to be exempt from this levy.

The change affecting the sales tax will involve an exemption for the used immovable machinery and equipment which is purchased as an integral part of the physical plant when a manufacturing plant is sold. The exemption will be retroactive to May 14, 1980 and is expected to reduce sales tax collections by about $500,000 in a full year.

The cumulative effects of the tax adjustments I have announced this evening will be a net revenue increase of some $8.3 million in a full year.

Overall, and with the changes I have announced, we are estimating total revenues for 1981/82 of $2,161,200,500. This represents an increase of approximately 14.8% on a print-over-print basis, and about 10% over the preliminary "actual" figures for 1980/81.

These figures reflect, in part, the general economic uncertainty facing Canada and, to an extent, the continuing effects of last year's drought. Improved revenue growth can be expected as the recovery process resumes.

The prospects for continuing federal transfer payment growth are more clouded — and that is one key reason for our Government's view that substantial additional changes on the revenue and expenditure sides would be inadvisable at this time. Since approximately 40% of our revenues are attributable to federal transfer payments, it is no secret that our Province is vulnerable to the major cutbacks which the federal government has stated it wishes to begin implementing in the 1982/83 fiscal year.

Thus far, specific proposals have not been put forward, but the federal Minister of Finance has announced what is apparently a minimum cutback target of some $1.5 billion for 1982/83 and 1983/84. In simple

per capita terms, that suggests a minimum cutback for Manitoba of some $60 million to $75 million. While there has been widespread speculation that Ottawa may see the Established Programs Financing transfers, particularly those nominally assigned for post-secondary education, as a primary reduction possibility, it is our view that cuts in all major transfers, from equalization to Canada Assistance Plan cost-sharing for social allowances and social services cannot be ruled out. Already, we have seen the termination of the Community Services Contribution Program, which had been expected to provide at least $10.5 million a year for Manitoba municipalities over the next five years, and we have seen a major, and in my view extremely ill-advised effort by the Solicitor-General of Canada to impose a drastic change in R.C.M.P. cost-sharing arrangements on both municipalities and provinces. I have even been advised that the federal government may be considering a further cutback through a restructuring of the Disaster Assistance cost-sharing plan Ottawa uses to provide special financial support to provinces and local communities when major floods and other emergencies occur.

The establishment of a Parliamentary Task Force to review the Fiscal Arrangements before proposals are presented to provinces now suggests that the start of formal federal-provincial negotiations will be delayed until well into the summer. But, since the federal government normally finalizes its expenditure estimates in the early fall, it is easy to see that there may be little, if any, time for genuine consultation on changes that are likely to have a serious negative impact for all provinces as early as next year.

Also included with the supplementary material which will be distributed at the conclusion of my Address will be the joint position statement of the four western provinces on the Fiscal Arrangements which was presented by my predecessor at the last Federal-Provincial Finance Ministers' Conference in December. That document, which has already been tabled in the House, emphasized the consensus view of the Governments of Manitoba, Saskatchewan, Alberta and British Columbia that the current set of arrangements have worked reasonably well, and it expressed concern that the changes which the federal government is considering "may be motivated not by a desire to improve program quality, but a desire to increase the intrusions of the federal government in other areas of provincial affairs".

The upcoming discussions of the Fiscal Arrangements will also include, for the first time in recent years, a major review of the national income tax collection system. That system is now under increasing

pressure, particularly on the corporation income tax side, where three provinces are now administering their own taxes, and where that number may increase to four or more in a year or two.

While it is premature to predict the end of the current collection agreements, all provinces must be prepared for the possibility that, within a relatively short time, we may be required to begin administering our own income tax systems. To ensure that we are adequately prepared for the possibility of such a changeover, I have asked my Department to draft a detailed contingency plan and to review a range of related policy options, including the kinds of reforms to our tax structure which would be possible under a self-administered system.

BUDGETARY SUMMARY — 1981/82

Earlier, I emphasized that our Government's primary objective, on the expenditure side, was to respond to demonstrated need for selective program improvements and expansions, particularly in such areas as health, education, income assistance and economic development.

At the same time, on the revenue side, I said we recognized the importance of avoiding the imposition of any significant additional tax burden on the people of Manitoba at a critical time in our recovery. We also considered the future prospects for our economy and the strong likelihood of significant economic expansion, which should result in improved revenue growth in the near-term.

On that basis, we concluded that a temporary increase in the provincial deficit would be the most appropriate budgetary policy response at this time. Our current estimates indicate that expenditures will exceed revenues by some $219.8 million in 1981/82. While this figure is above the deficit authorized for 1980/81, it remains lower, in relative terms, than the year-end figure for 1977/78. As I noted earlier, the deficit that year represented about 12% of expenditures. The comparable percentage based on the estimates for 1981/82 is lower — just over 9%.

Another way of comparing the figures is to express the 1977/78 deficit in terms of 1981 dollars. After inflation, the 1977/78 year-end deficit of $191.3 million is equivalent to about $275 million in this fiscal year. Our projected deficit is, of course, some $55 million or 20% lower.

In our view, the deficit we are projecting remains within manageable limits. And, with the financial controls we now have in effect, we are in a position to monitor the "bottom line" situation very carefully on a

continuing basis and can take prompt action if any major deterioration in our position is indicated.

It is important to recall, of course, that in each of the last four years, there has been an improvement in the forecast deficit position by the year-end. To an extent, this is attributable to the fact that initial estimates do not provide for lapsing of authority, and that will certainly occur in 1981/82 as well. However, it would be imprudent to assume that there will be automatic improvement during the year. If it occurs, that will be welcome . . . but even if it does not, we will still have been spared a potentially far more difficult situation.

I want to make one additional point before concluding this section of my Address.

Our Government has in no way abandoned its long term objective of a balanced Budget.

We are using the deficit concept in exactly the manner that responsible economists suggest it should be used.

CAPITAL FINANCING AND BORROWING REQUIREMENTS — 1981/82

At the conclusion of my Address I will also table estimates of the capital requirements of Crown corporations and agencies for the 1981/82 fiscal year.

The amount of additional authority requested in the Estimates is some $75.2 million. This represents an increase of $51.2 million over the $24 million in "Schedule A" authority requested in last year's Budget.

The Manitoba Telephone System requires $25 million this year, after a "nil" requirement in 1980/81. In addition, the requirements of the Manitoba Agricultural Credit Corporation have increased by some $14 million, while $8 million will be required by the Manitoba School Capital Financing Authority. An amount of $2.5 million is included for the Credit Union Stabilization Fund in line with a request from the credit union system for support of a major rationalization program developed during the past year.

As has been noted in previous years, the request for capital authority is not necessarily equivalent to the amount that actually will be spent during the year. Expenditures can also be financed from existing authority, and from internally generated funds, particularly in the cases of Manitoba Hydro and the Manitoba Telephone System. The combined

capital spending by the provincial public sector, including Crown corporations and agencies, is estimated to total around $500 million for the year.

The Government anticipates a net borrowing requirement, for budgetary and self-sustaining or "non-budgetary" purposes, of approximately $365 million. We expect that some $115 million of this amount will be available from non-market sources . . . mainly the Canada Pension Plan. The balance, or some $250 million, will be obtained from public market sources.

CONCLUSION

Mr. Speaker, I said earlier that Manitoba stands on the threshold of a major period of expansion.

The people of our Province have worked hard to prepare for the opportunities which are before us, and we now have a genuine chance of achieving them.

The Budget I have outlined tonight will play an important part in helping us realize those opportunities.

It will preserve the gains we have achieved over the past few years without applying undue pressure on our economy and on our taxpayers.

I believe this Budget is realistic. I believe it is prudent. And I believe it will permit government to continue to make its contribution to the efforts of Manitobans to continue as we have always done in this Province, to build for ourselves better, more secure and more prosperous lives.

The realities of the national and international economic situation, and of our own situation here in Manitoba, do not permit massive new spending or commitments of the taxpayers' dollars to short term purposes. That has been tried, here and elsewhere, and it has failed.

More importantly, Mr. Speaker, we have confidence in Manitobans. We do not believe, as Members Opposite seem sometimes to believe, that Manitobans have failed, and are in need of a government take-over of every major decision, and most minor ones.

The things that have already been achieved by Manitobans over the years are impressive by any measure: we have built for ourselves a quality of life, a standard of living, and a sense of community, second to none.

In the years since we were elected in 1977, this Government, working with the people of Manitoba, has achieved once more the kind of basic economic health that will permit us to build upon that foundation.

I am confident that is what Manitobans will do.

And that really is the foundation of this Budget: we are confident in Manitobans, and we believe that the people of this Province have every reason to be confident in themselves.

Thank you, Mr. Speaker.

SUPPLEMENTARY

BUDGET

MATERIAL

SUPPLEMENTARY BUDGET MATERIAL

APPENDIX A — FINANCIAL STATISTICS 51

— Estimated Expenditures and Revenues 1981/82 53

— 1981/82 Revenue Estimates 54

— 1981/82 Expenditure Estimates — Main and Supplementary 55

— Supplementary Estimates of Expenditure for the Fiscal Year Ending March 31, 1982 56

— 1981/82 Capital Authority Requirements For Non-Budgetary Programs 57

— Province of Manitoba Direct and Guaranteed Debt: By Purpose 58

— Province of Manitoba Statement of Valuation and Purpose of Bonds, Debentures and Other Securities Outstanding as at March 31, 1981 (preliminary) 59

— Province of Manitoba Direct and Guaranteed Debt Net Refunding Requirements by Fiscal Year: By Currency of Payment and Purpose 60

— Provincial Total Debt Per Capita Comparison (as of March 31, 1979) 61

APPENDIX B — MANITOBA ECONOMIC REVIEW 63

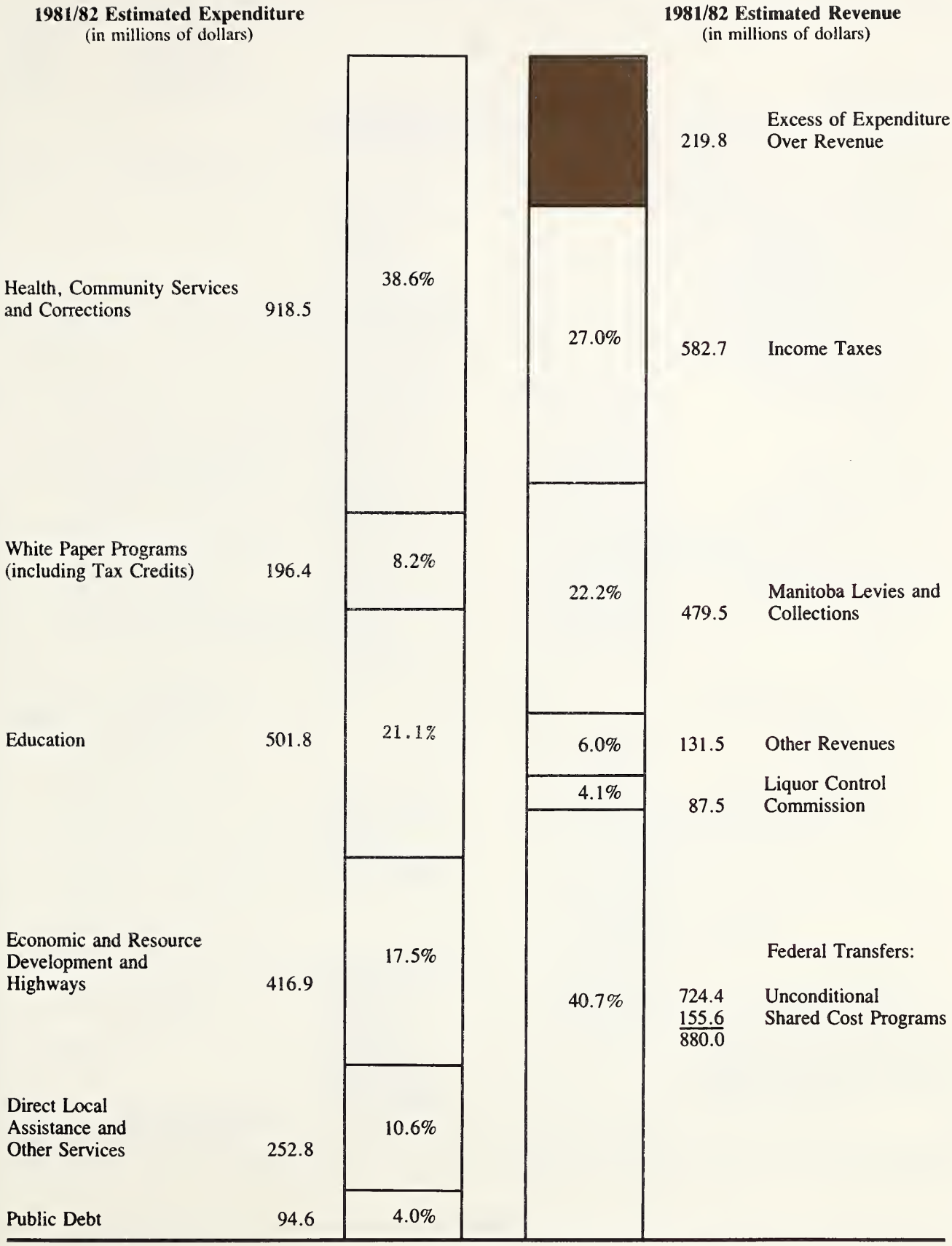
APPENDIX C — THE WHITE PAPER PROGRAMS — A PRELIMINARY REVIEW 97

APPENDIX D — RECENT STATEMENTS ON FISCAL, ECONOMIC AND CONSTITUTIONAL MATTERS 125

APPENDIX A

FINANCIAL STATISTICS

Estimated Expenditure and Revenue
1981/82



1981/82 Revenue Estimates

		1981/82 Estimate	% of Total
Income Taxes		$ 582,712,000	27.0
• Individual Income Tax	$450,569,000		
• Corporation Income Tax	132,143,000		
Manitoba Levies & Collections		479,467,000	22.2
• Insurance Corporations Tax	$ 10,000,000		
• Gasoline Tax	74,500,000		
• Mineral Tax (Incremental)	10,200,000		
• Metallic Minerals Tax	23,500,000		
• Motive Fuel Tax	22,500,000		
• Corporation Capital Tax	17,500,000		
• Revenue Act, 1964, Part I	20,500,000		
• Tobacco Tax	35,000,000		
• Retail Sales Tax	256,000,000		
• Other	9,767,000		
Other Revenues		131,525,933	6.0
• Fines & Costs	$ 5,200,000		
• Land Titles Fees	6,000,000		
• Motor Carrier Licences & Fees	7,090,700		
• Automobile & Drivers' Licenses	21,941,000		
• Mines & Minerals	4,886,900		
• Water Resources	10,091,900		
• Parks	2,827,200		
• Others	73,488,233		
Liquor Control Commission		87,500,000	4.1
Federal Transfers		879,995,600	40.7
Unconditional:			
• National Equalization	$415,000,000		
• Established Programs Cash Transfer	307,176,000		
• Government of Canada Subsidy	2,173,000		
Total Unconditional Transfers	$724,349,000		
Conditional — Government of Canada — Shared-Cost Receipts:			
• Education	$ 34,874,200		
• Community Services & Corrections	81,778,000		
• Northern Affairs	18,473,600		
• Economic Development & Tourism	9,044,300		
• Other	11,476,500		
Total Conditional Transfers	$155,646,600		
		$2,161,200,533	100.0

1981/82 Expenditure Estimates
Main and Supplementary Estimates

		1981/82 Estimate	% of Total
Health, Community Services & Corrections (1)		$ 918,451,600	38.6
White Paper Programs (including Tax Credits)		196,382,700	8.2
Education		501,830,100	21.1
Economic & Resource Development and Highways		416,939,900	17.5
• Agriculture	$ 39,301,300		
• Co-operative Development	1,138,900		
• Cultural Affairs & Historical Resources	12,170,100		
• Economic Development & Tourism	22,231,300		
• Energy and Mines	8,754,800		
• Highways and Transportation	170,578,600		
• Labour and Manpower	17,033,600		
• Natural Resources	68,078,200		
• Northern Affairs	27,604,400		
• Canada-Manitoba Enabling Vote	14,236,600		
• Hydro Rates Stabilization	35,812,100		
Direct Local Government Assistance and Other Services		252,775,100	10.6
• Legislation	$ 5,280,800		
• Executive Council	1,165,600		
• Attorney General	45,943,400		
• Civil Service	18,119,700		
• Consumer & Corporate Affairs & Environment (1)	38,528,200		
• Fitness, Recreation & Sport	2,173,700		
• Finance (1)	10,176,900		
• Government Services	62,355,000		
• Flood Control & Emergency Expenditures	1,000,000		
• Municipal Affairs	25,678,400		
• Urban Affairs	42,353,400		
Public Debt		94,636,400	4.0
		$2,381,015,800	100.0

Note: (1) These departmental estimates are shown net of White Paper Program benefits.

Supplementary Estimates of Expenditure for the Fiscal Year Ending March 31, 1982

Appropriation	Service		Year Ending March 31, 1982
	AGRICULTURE (III)		
11.	Income Insurance Fund For Manitoba Hog Producers	$2,200,000	
	TOTAL FOR AGRICULTURE		$2,200,000
	EDUCATION (XVI)		
3.	Financial Support — Public Schools	$1,093,500	
	(a) School Grants and Other Assistance	$1,093,500	
	TOTAL FOR EDUCATION		$1,093,500
	ENERGY AND MINES (XXIII)		
2.	Energy	$ 200,000	
	(b) Conservation and Renewable Energy:		
	(3) Energy Efficient Housing Program	$ 200,000	
	TOTAL FOR ENERGY AND MINES		$ 200,000
	TOTAL SUPPLEMENTARY ESTIMATES		$3,493,500

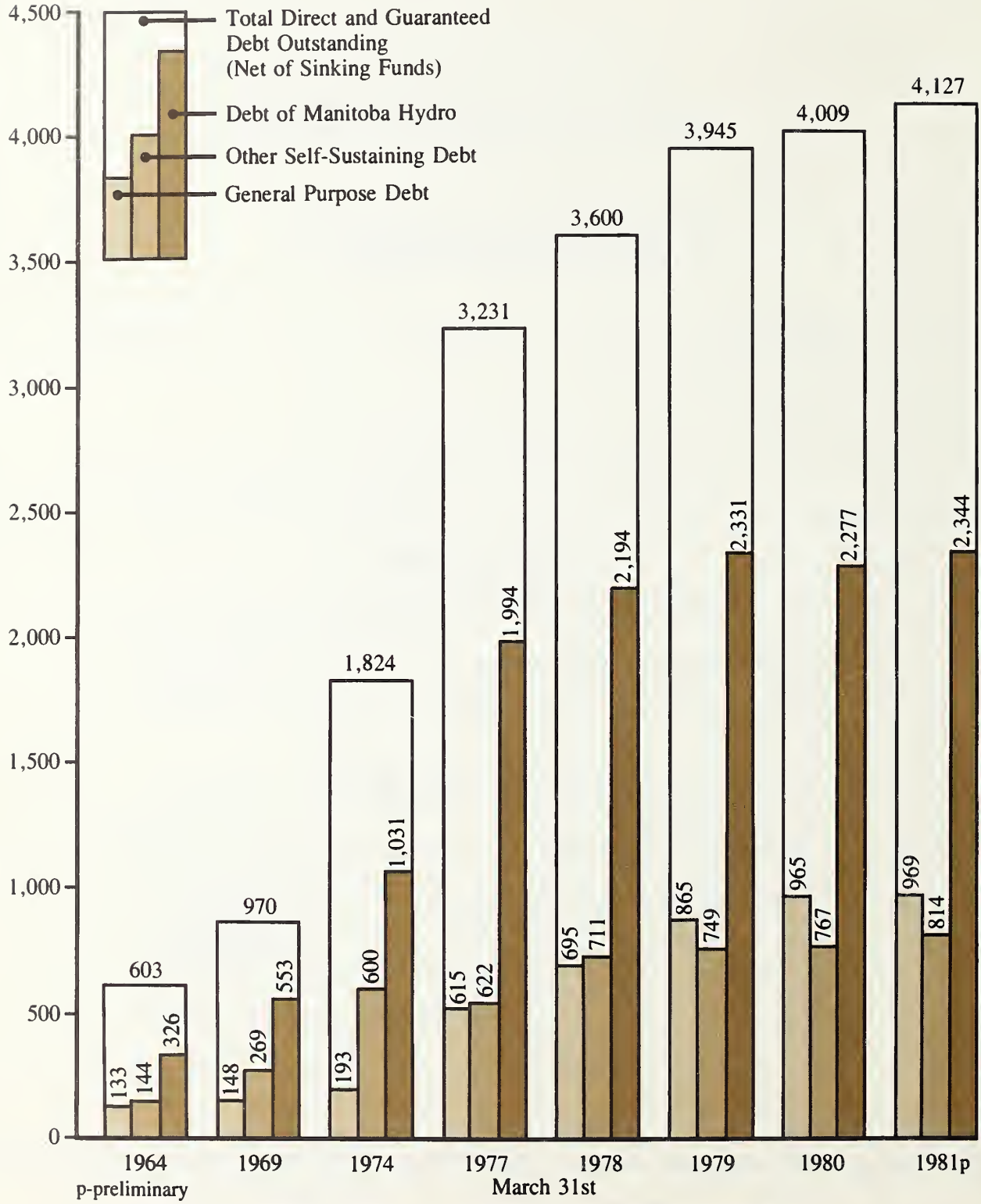
1981/82 Capital Authority Requirements for Non-Budgetary Programs

"Schedule A Capital"

The Manitoba Agricultural Credit Corporation	$33,350,000
The Manitoba Telephone System	25,000,000
The Manitoba Water Services Board.....	1,500,000
The Manitoba School Capital Financing Authority	8,000,000
Insulation Loan Program.....	4,800,000
The Credit Union Stabilization Fund	2,500,000
	$75,150,000

Province of Manitoba Direct and Guaranteed Debt: By Purpose

(millions of dollars)



NOTE: The above table indicates the Total Direct and Guaranteed Debt of the Province of Manitoba (after deducting Sinking Funds) based on the Canadian Dollar Equivalent on the date of issue for all foreign debt.

Province of Manitoba
Statement of Valuation and Purpose of Bonds, Debentures and Other Securities Outstanding as at March 31, 1981*

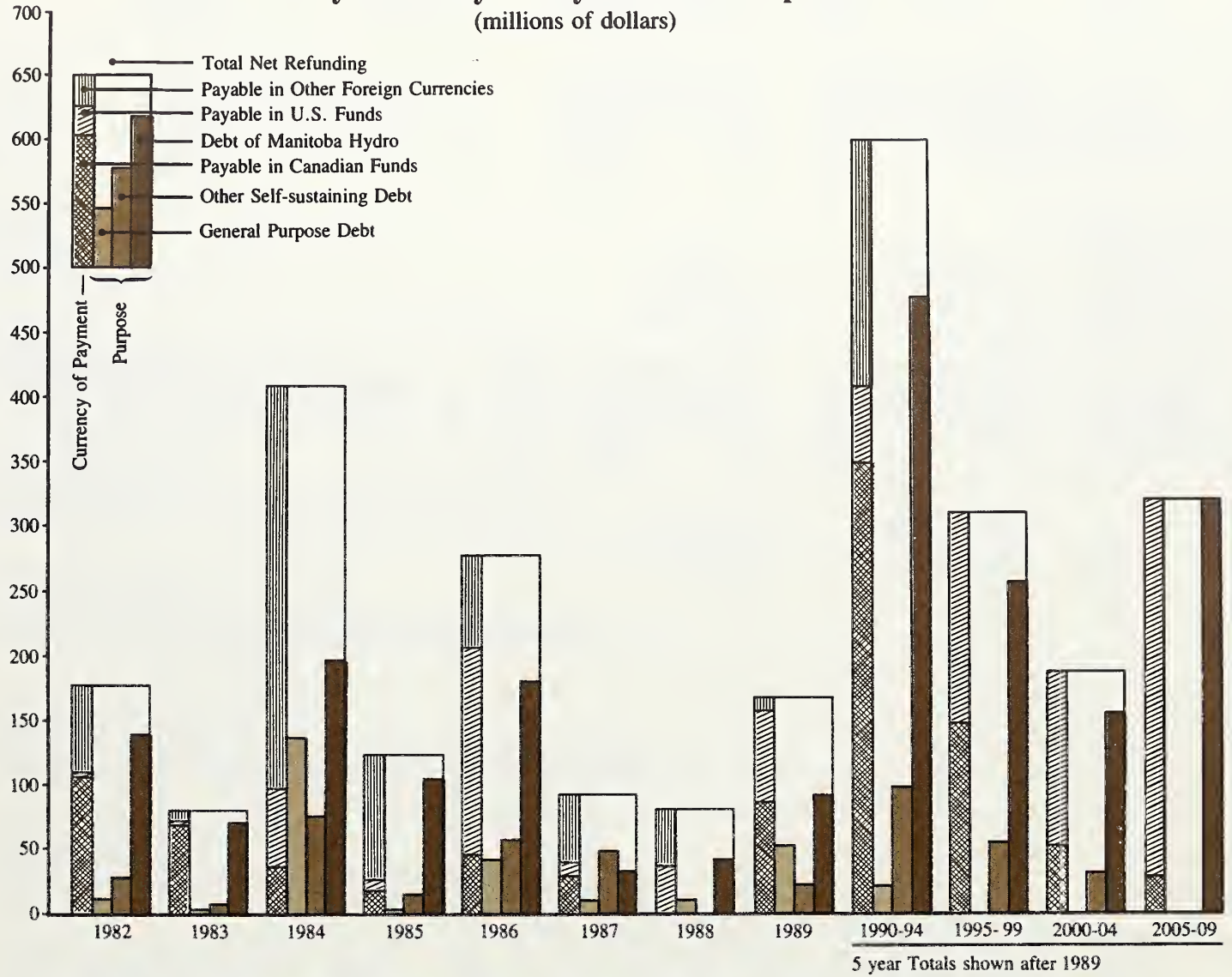
(in thousands)

Valuation of Debt	Par Value	Canadian Dollar Equivalent at Date of Issue	Exchange Rate as at March 31, 1981	Canadian Dollar Valuation	Foreign Exchange Fluctuation
Direct:					
Payable in:					
Canadian Dollars	1,462,065	$1,462,065	$1.00	$1,462,065	$ —
U.S. Dollars	419,000	448,652	1.1848	496,431	47,779
Swiss Francs	805,000	385,253	0.6195	498,698	113,445
European Units of Account (1)	36,855	45,099	1.8939	69,800	24,701
Japanese Yen	27,000,000	113,177	0.005616	151,632	38,455
Deutsche Marks	150,000	67,578	0.5648	84,720	17,142
Hong Kong Dollars	119,200	26,635	0.2239	26,689	54
Total Direct		$2,548,459		$2,790,035	$241,576
Guaranteed:					
Payable in:					
Canadian Dollars	1,053,852	$1,053,852	$1.00	$1,053,852	$ —
U.S. Dollars	926,000	930,904	1.1848	1,097,125	166,221
Swiss Francs	160,000	56,114	0.6195	99,120	43,006
Deutsche Marks	75,000	22,965	0.5648	42,360	19,395
Pounds Sterling	3,446	7,266	2.65	9,132	1,866
Total Guaranteed		$2,071,101		$2,301,589	$230,488
Total Direct & Guaranteed Debt		$4,619,560		$5,091,624	$472,064
Less: Sinking Funds		492,424			
Net Direct & Guaranteed Debt		$4,127,136			
Purpose of Debt					
General Government Programs		$1,191,900		$1,266,581	$ 74,681
Other:					
Manitoba Hydro-Electric Board		$2,552,588		$2,875,073	$322,485
Manitoba Telephone System		442,968		513,721	70,753
Manitoba School Capital Financing Authority		215,225		215,225	—
Other Crown Corporations		171,096		175,241	4,145
Federal-Provincial Loan Agreements		14,152		14,152	—
Universities		26,659		26,659	—
Municipal, Hospital & Other Indebtedness		4,972		4,972	—
		$3,427,660		$3,825,043	$397,383
Total Direct and Guaranteed Debt		$4,619,560		$5,091,624	$472,064
Less: Sinking Funds		492,424			
Net Direct & Guaranteed Debt		$4,127,136			

*Preliminary
(1) Payable in various currencies.

Province of Manitoba Direct and Guaranteed Debt
Net Refunding Requirements by Fiscal Year:
By Currency of Payment and Purpose

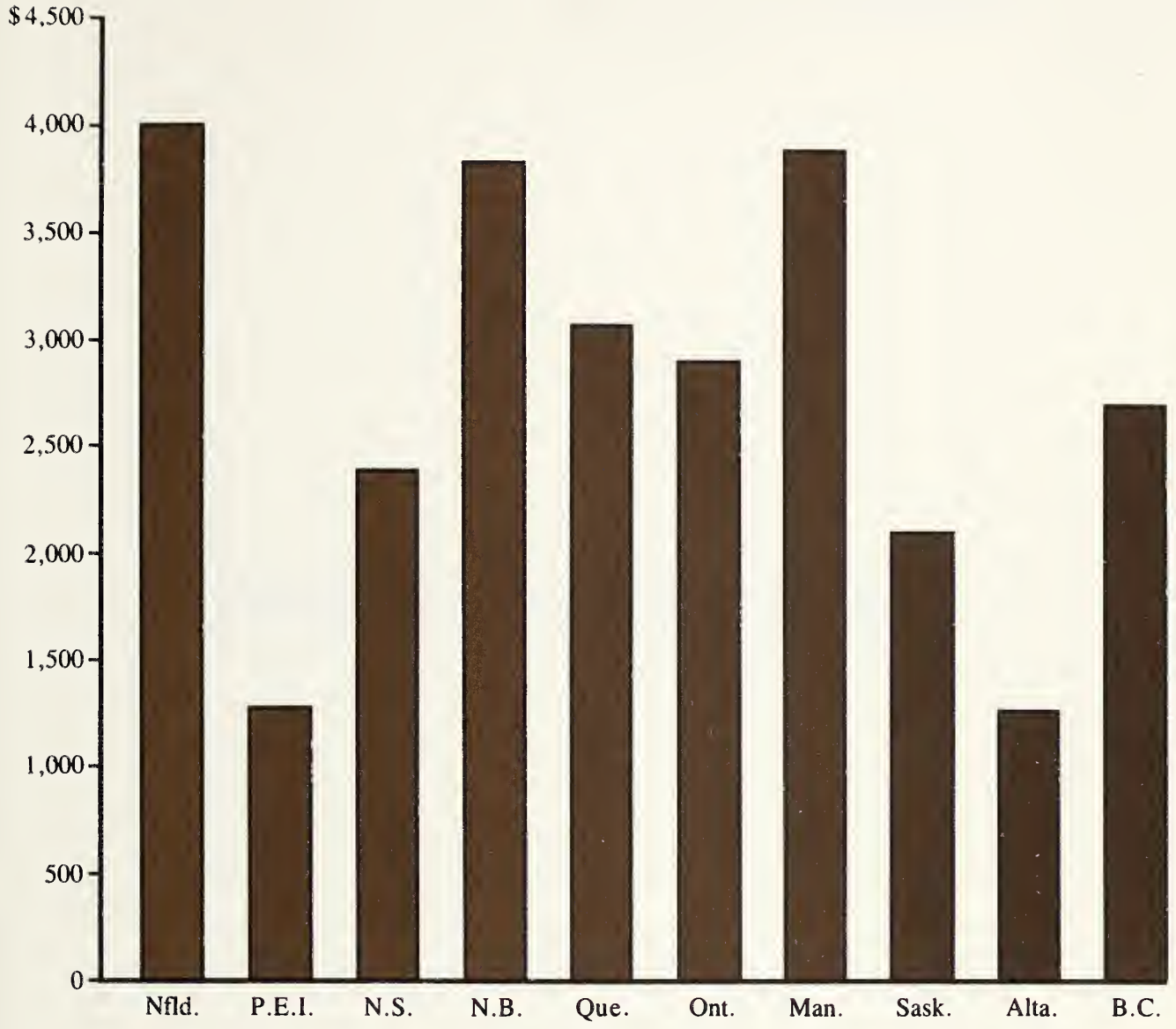
(millions of dollars)



NOTE: The above table indicates the amount that the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt after application of sinking funds based on the Canadian Dollar Equivalent on March 31, 1981 for all foreign debt.

Provincial Total Debt Per Capita Comparison

(as of March 31, 1979)



Province	
Newfoundland	$4,000
Prince Edward Island	1,272
Nova Scotia	2,389
New Brunswick	3,810
Quebec	3,033
Ontario	2,869
Manitoba	3,876
Saskatchewan	2,082
Alberta	1,249
British Columbia	2,662

Source: Bank of Montreal — **Provincial Summaries. July, 1980**

Manitoba Economic Review

MANITOBA ECONOMIC REVIEW

The following Economic Review outlines the major factors influencing economic activity in Manitoba in recent years and summarizes developments in several key sectors.

International Trends — The OECD Area

Growth in real Gross National Product among member nations in the Organization for Economic Cooperation and Development (OECD) averaged 5.2% per annum during the ten years from 1964 to 1973, almost double the average for the last seven years.

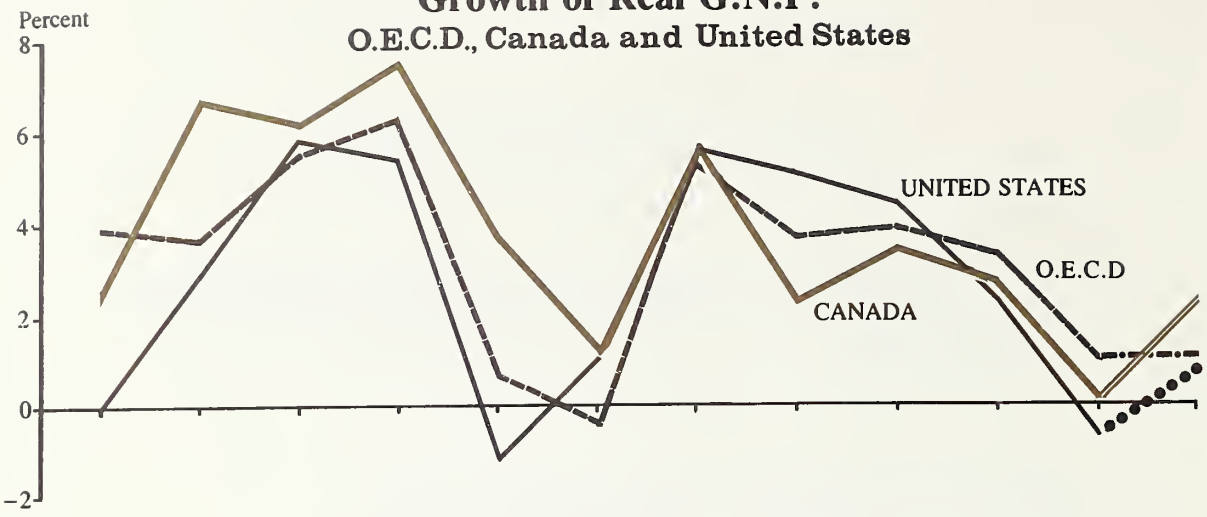
For most of the industrial world, the latter half of the 1960's and the early 1970's were the culmination of a lengthy period of rising prosperity. This period was characterized by high rates of growth in real incomes and employment, rapid growth in productivity, and relatively stable prices, at least when compared with later experience. For the OECD as a whole, there were surpluses in current balances of international payments with the rest of the world.

By the end of the 1960's, however, the bubble was beginning to burst. Inflation had accelerated to about double the 2% to 3% range which had prevailed earlier in the decade and industrial economies were entering a moderate economic slowdown. A number of factors were involved in the decline not the least of which were the natural workings of the business cycle and too many years of stimulative government policies.

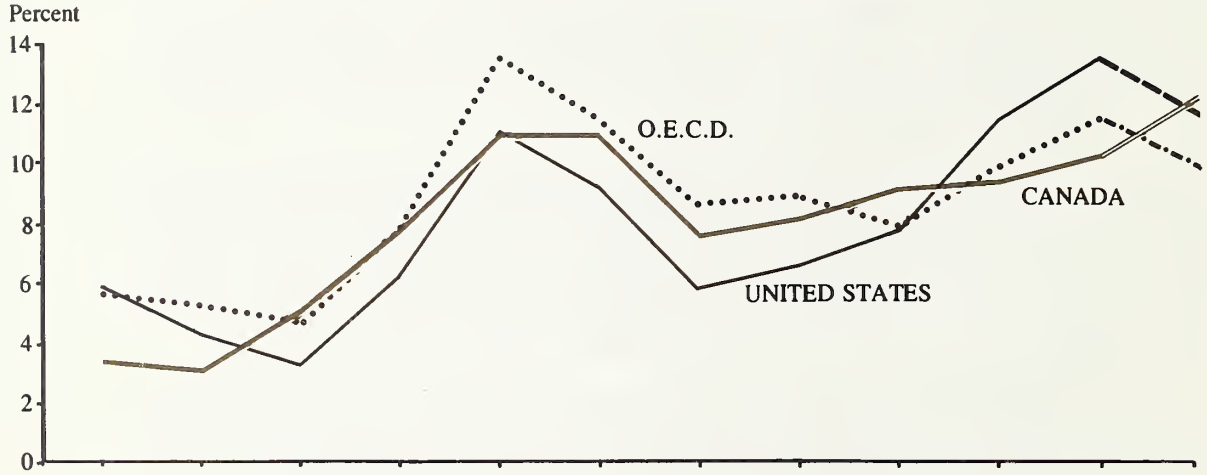
The response to this slowdown was a renewed round of expansionary government policies in most industrial countries. Rapid growth in government spending, inflation, and rising demand for exports created strains on the system of international payments and contributed to the abandonment of the fixed exchange rate system. Government spending stimulated aggregate demand pressures. Inflationary pressures intensified as the widespread expansion began to strain capacity limits. These pressures were augmented by a number of crop failures in 1972. In an environment of still relatively low interest rates and inexpensive credit, speculation in industrial materials mounted, touching off the 1973 commodity price spiral.

By 1973, in response to the increasing inflationary pressures, some governments began tightening fiscal and monetary policies in an effort to limit

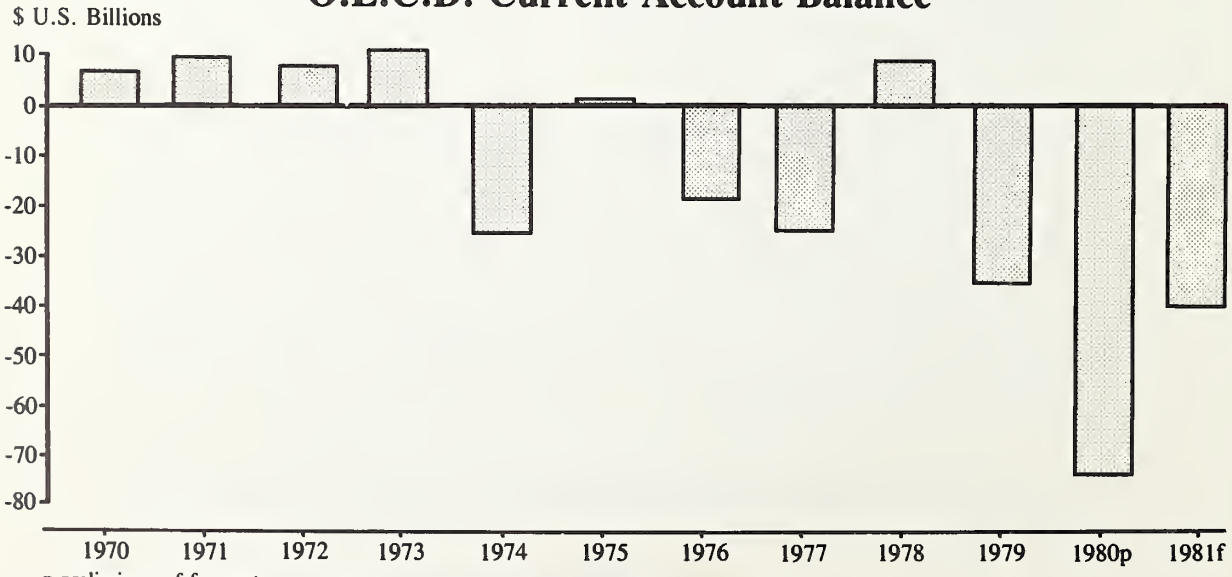
Growth of Real G.N.P.
O.E.C.D., Canada and United States



Increase in Consumer Prices
O.E.C.D., Canada and United States



O.E.C.D. Current Account Balance



p-preliminary; f-forecast

NOTE: O.E.C.D. data includes observations for all 24 member countries.

Source: O.E.C.D. Economic Outlook, December 1980; Statistics Canada; and Federal Minister of Finance

aggregate demand to levels commensurate with the productive capabilities of the various economies. These policies contributed to the substantial economic slowdown of the mid-1970's. Then, late in 1973, the Organization of Petroleum Exporting Countries (OPEC) quadrupled oil prices. The result was an external shock which imposed sharp increases in production costs and placed an additional drain on aggregate demand at a time when total spending was already slowing down. By 1974, real growth had come to a virtual halt, inflation had accelerated to double digit levels, and the current account balance of the OECD had moved from a position of surplus to a deficit of more than U.S. $25 billion.

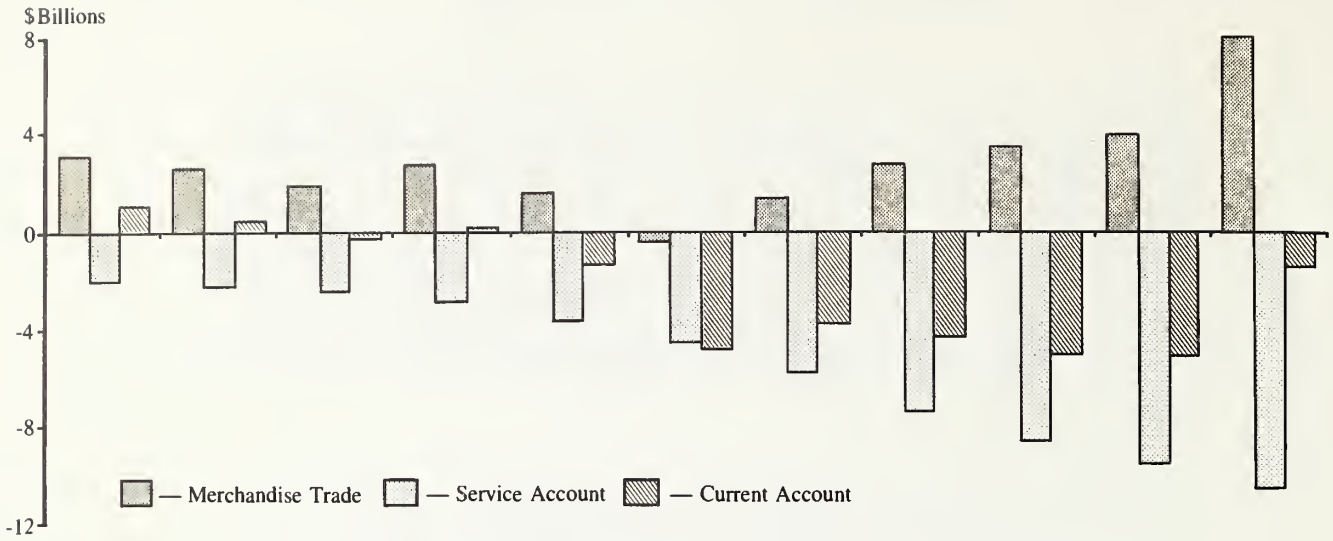
The sharp contraction in economic growth in 1974 and 1975 resulted in a moderation of inflationary forces and substantial recovery occurred in 1976. However, continuing realignments in exchange rates, the overall foreign deficit of the OECD area from 1974 to 1977, structural adjustments to higher energy costs, and poorer productivity performance, prevented growth rates during the expansion of the latter 1970's from matching those of earlier periods. Substantial oil-price increases early in 1979 heightened cost pressures, and contributed to a further slowdown in growth which has lasted from 1979 through the present period. Instability in the Middle East contributed to growing uncertainty and falling business and consumer confidence. Moreover, crude oil supply once again became a major cause for concern.

In the latter half of 1979 and 1980, inflation in the OECD area re-accelerated to double-digit levels, and a new round of oil-price increases created renewed balance of payments pressures. Generally, the government response to these pressures emphasized more restrictive fiscal and monetary policies. Nations sought to bring down the rate of growth of government spending to manageable levels which also reduced total domestic spending and the demand for exports. High and volatile interest rates which have characterized the last eighteen months, were the result not only of efforts to moderate inflation through money supply control but also of attempts to attract international capital flows to cover burgeoning deficits in current account balances of international payments.

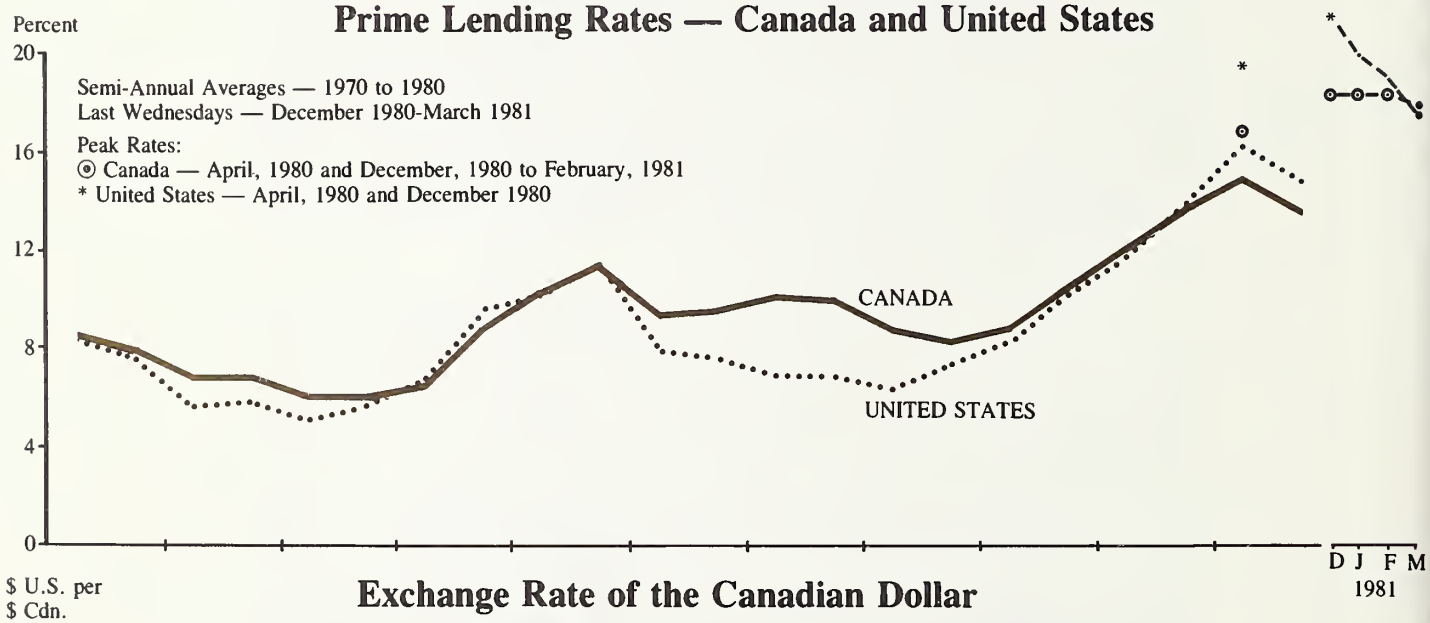
Canada

The pattern of growth in Canada generally followed that of other OECD members during the 1970's. However, Canadian growth rates remained above the OECD average from 1971 to 1976. This was largely because rapid growth in government spending maintained a high level of aggregate demand in

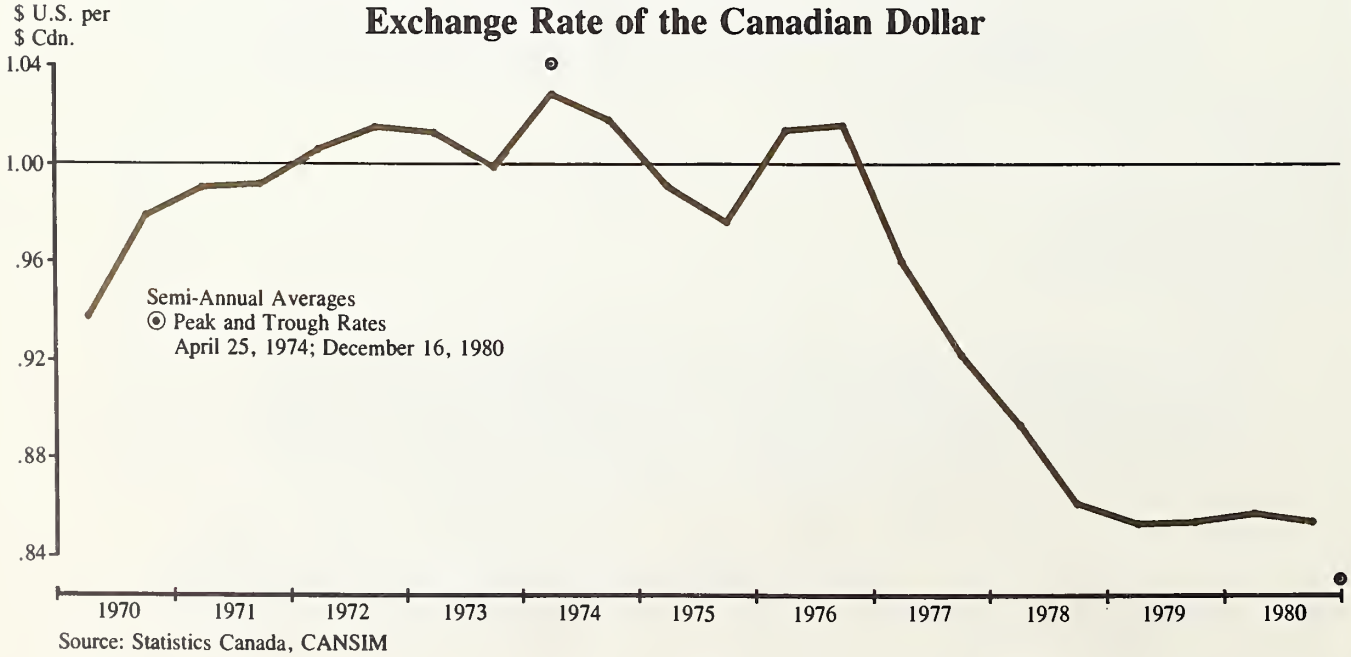
Canada's Current Account Balance



Prime Lending Rates — Canada and United States



Exchange Rate of the Canadian Dollar



Source: Statistics Canada, CANSIM

Canada. As well, Canada postponed the adjustment to higher energy prices by maintaining lower domestic prices and subsidizing imports. The growth in government spending combined with the oil import subsidy program caused the federal deficit to begin to grow at accelerated rates. Despite rising foreign prices, growth in total spending maintained the growth in imports. Interest rates were well above those in the United States, and the external value of the Canadian dollar was relatively high.

The Canadian dollar was maintained at relatively high levels and this dampened some of the inflationary impact of rising import prices. However, rapid growth in export prices and profits eventually spilled over into rising wages and inflation. These in turn eroded Canada's competitive position and slowed the growth of exports. In 1975, Canada's merchandise trade position moved into deficit for the first time since 1960.

In 1975, concern with domestic inflationary forces and the loss of foreign competitiveness resulted in the Bank of Canada moving to the explicitly monetarist policy of gradually reducing the rate of growth in the money supply in order to bring down the rate of inflation. At the same time, the government established the Anti-Inflation Board and wage and price controls.

As inflation rates in Canada began to moderate in 1976, interest rates were allowed to fall. The moderation of wage increases during the Anti-Inflation Program and the lower value of the dollar enhanced the competitiveness of the Canadian economy. In the latter half of the 1970's, rapid real growth in output in export-oriented industries led domestic growth and the surplus in merchandise trade was re-established. Until 1979, however, the total current account deficit continued to grow. The service account was becoming a very real concern.

Regional Implications

The preceding developments within Canada include a number of strikingly different regional growth experiences. The changing pattern of regional growth in Canada is evident in the natural resources boom in the west, the reindustrialization problems of central Canada, and the implications which offshore resources and the extension of territorial limits hold for eastern Canada.

The westward shift of growth in Canada has spawned much discussion, debate and research in an effort to understand and respond to the economic adjustment mechanisms which are at play. Particularly misunderstood areas include the extent to which a province can influence the macro performance of

its economy, labour mobility, government deficits, energy pricing, capital requirements and availability, and the fiscal capacity of governments at all levels to respond to the pressures of rapidly changing circumstances within their jurisdictions.

The issues frequently become clouded by technical problems, the lack of reliable regional and provincial data, and the perceptional distortions produced by high and now re-accelerating rates of inflation.

Here in Manitoba, much of the discussion has focused on the province's position relative to the experience of the "average" Canadian. There are many ways of attempting to measure average experience. From the perspective of the individual citizen, statistics on incomes, costs of living, and unemployment rates are often cited. These measures capture the likelihood of an individual being able to find employment and maintain a reasonable standard of living. From a more macro perspective, economists and statisticians have developed measures such as "real" gross product which attempt to encompass the general well-being of the country or province. While the limitations of all such measures must be recognized, in combination they provide the only available picture of general trends and conditions in an economy.

Gross provincial product measures compatible with those used in Manitoba are not available on a consistent basis across all provinces. The Provincial Economic Accounts Data prepared by Statistics Canada for the provinces are still labelled "experimental"; the most recent period for which such data are available is 1979; and the agency still does not publish estimates of "real" provincial economic activity.

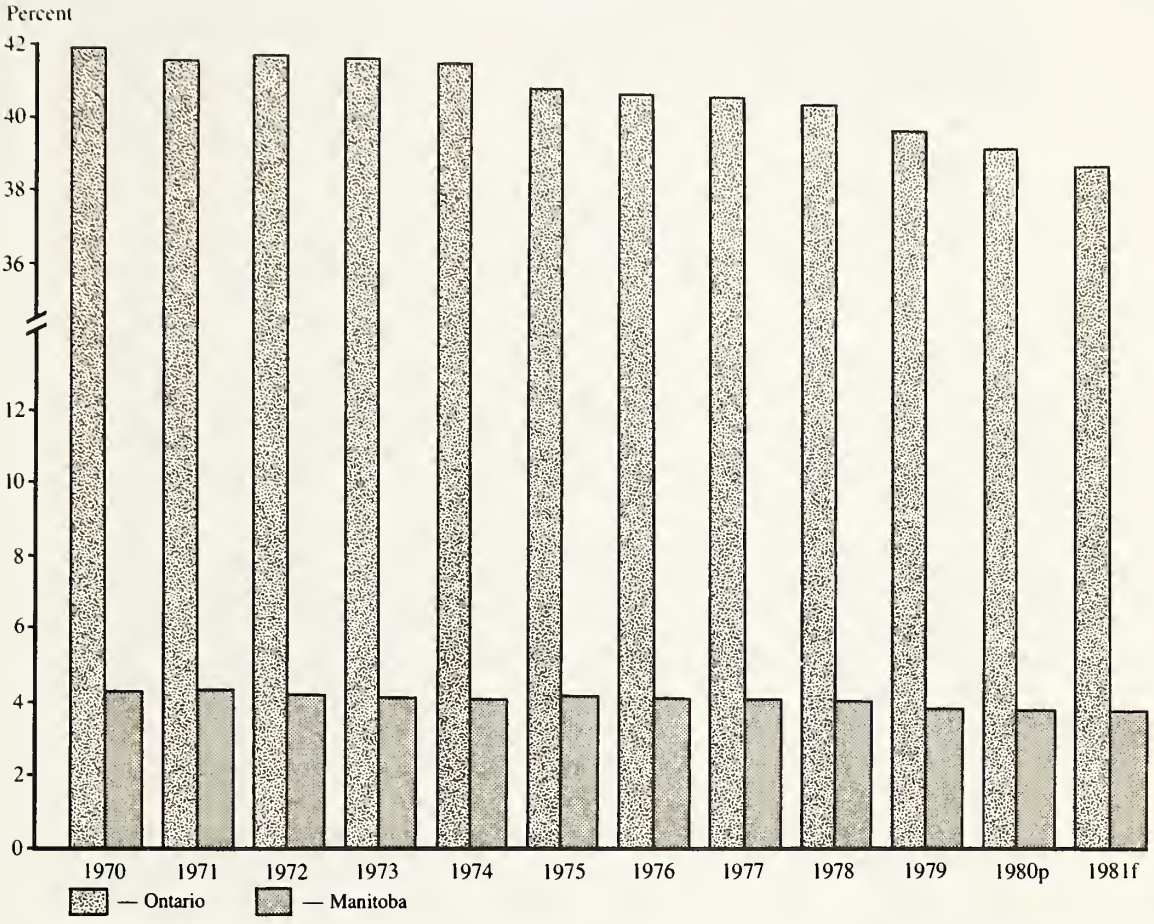
Although work is underway at research and government agencies to develop comparable estimates, the only publicly available series of real domestic product estimates for all provinces are those published by the Conference Board of Canada. However, there are serious questions as to whether the existing Conference Board methodology captures the situation accurately on a provincial basis. In any event, the Conference Board data do indicate the widely acknowledged decline in the Ontario economy and the westward shift in economic activity. This is illustrated in the Canadian shares chart.

This chart shows the change in Manitoba and Ontario shares of Canadian real domestic product during the 1970's and the outlook for the current year. What is immediately striking about the graph is the relative constancy of Manitoba's share of the total at about 4%. The last year is quite remarkable in that it includes the impact of the drought. Ontario's shares should be noted. They are down significantly since 1970 and have been steadily declining since 1977. The Ontario economy is clearly in a major readjustment phase.

It is also of interest to note the changes in regional real growth. The average real growth rate in the three westernmost provinces declined by 2.2 percentage

Shares of Canadian Real Domestic Product

Ontario, Manitoba



p-preliminary; f-forecast

Source: Conference Board of Canada

points from 6.7% in the early 1970's to 4.5% from 1975 through the outlook for the current year. In contrast, the eastern Canada average annual rate of real growth declined by 4.1 percentage points from 5.8% to 1.7%. Manitoba's growth rate declined by the same amount as the average for all seven eastern provinces — despite the fact that the latter period included the phasing-down of the northern hydro projects and the impact of droughts, floods, and record high interest rates. High interest rates have a disproportionate effect on the Manitoba economy because of its dependence on small business and relative scale of high return resource projects.

The Canadian Economy — 1980

In the first half of 1980, the Canadian economy experienced a recession with the sharpest downturn occurring in the second quarter. The major factors were the record-high level which interest rates reached in early April, and the steep, one-quarter decline in the U.S. economy. A rapid retreat from peak interest rates during the second quarter helped stimulate a fourth quarter recovery. However, despite the sharp decline in North American output in the second quarter, inflation rates failed to show any significant moderation and interest rates rose again during the final months of the year, establishing new record high levels in December, for the second time in nine months.

During the second half of 1980 Canada's net export position improved substantially, resulting in a merchandise trade balance of $8 billion and reducing Canada's current account deficit to less than one third of its 1979 level. Although recovery from the recession, at least on a technical basis, was completed by year-end, strength in the foreign sector in late 1980 contrasted with domestic developments.

The major area of strength in domestic demand in 1980 was in business non-residential investment expenditures which increased an estimated 8.6% in real terms. The housing sector was in considerable disarray during the year as high interest rates contributed to major retrenchment in most areas of the country. Slow growth in real personal disposable incomes resulted in a moderate 0.6% growth in real personal consumption expenditures. Actual declines were recorded in personal expenditures on durable and semi-durable goods, including interest rate-sensitive large-ticket items such as automobiles, recreational vehicles and appliances. However, these declines were offset by increases in the consumption of services and, to a lesser extent, by increases in the consumption of non-durable goods. Government spending contributed modestly to overall aggregate demand in 1980.

The Bank of Canada continued to pursue a policy of money supply control and exchange rate management during the year which resulted in less interest rate volatility in Canada than was the case in the United States. The gap between Canadian and United States interest rates narrowed, and at times became negative, as rates in the United States moved towards peak levels. A positive differential re-emerged during the second and third quarters as U.S. interest rates declined more sharply. The gap again narrowed as United States rates increased during the fourth quarter. However, during the first quarter of 1981, Canadian short term rates once again moved above American short term rates.

The brunt of the North American slowdown was felt in the manufacturing industries of central Canada and especially in the automobile and farm equip-

ment manufacturing industries of Ontario. According to recent forecasts, Alberta, led by Canadian oil and gas industry investment, experienced the highest real growth rate in the country, although at a sharply reduced rate from 1979. B.C. and Saskatchewan recorded modest rates of growth despite the slowdown in U.S. housing construction which affected British Columbia's forest industry, and drought conditions which cut into agricultural production in Saskatchewan. Apart from the three western resource provinces no gains in real aggregate output were recorded.

Manitoba in 1980

Prairie drought conditions in 1980, compounded by wet weather during the harvest season, resulted in declines in agricultural production volumes and associated impacts on farm machinery, rural retail trade and other sectors of the Manitoba economy. As well as the drought, there were several features in the performance of the North American economy which impacted on the Manitoba economy last year. Financial markets experienced recurring bouts of very high interest rates and substantial inflationary pressures continued unabated. The former had the biggest impact on industrial output and consumer durable expenditures. Weaker than anticipated performance in the domestic construction sector also contributed to an overall decline in the rate of growth in real gross provincial product in Manitoba during 1980. Preliminary indications are that real growth actually declined by about three-quarters of one percentage point, including the effects of drought-related losses. Moreover, it now appears that had the 1980 drought not occurred, real growth in Manitoba would have been about the same as the minimal growth currently estimated for Canada.

Despite these constraining factors, Manitoba's manufacturing industries generally continued expanding, as has been the case since 1978. The mining sector performed extremely well, with substantial increases recorded in the value of production, exploration expenditures and claims staked for exploration during the year.

Population

The debate which has surrounded the issue of population growth in Manitoba has generally been based on Statistics Canada's projections of

population change since the 1976 Census. At the time of writing, Statistics Canada has indicated its intention to revise upwards some of its currently published post-censal population projections for Manitoba. However, these revised estimates, which are based in part on demographic trends observed between the 1971 and 1976 Censuses and a new "benchmark" population count, will not be available until the June, 1981 Census results become available in 1982.

Last year's Economic Review discussed the general westward shift of population in Canada and how, particularly since the mid-70's, it has augmented Manitoba's population through net inflows from eastern provinces while the net outflow to other western provinces increased.

The overall trend in Manitoba from 1975 to 1979 has been towards increased net outmigration. The initial result was declining rates of increase in the Manitoba population commencing in 1976. As net outmigration continued to increase in response to the strong pull associated with resource developments in the west, actual reductions in the Manitoba population occurred in both 1978 and 1979.

Manitoba Demographic Statistics

	Migration			Natural	Population
	In	Out	Net	Increase	Gain/Loss
1975 Total	35,516	34,985	531	8,760	9,291
1976: First Half	13,440	13,657	-217	4,288	4,071
Second Half	20,922	21,505	-583	4,181	3,598
Total	34,362	35,162	-800	8,469	7,669
1977: First Half	12,455	12,348	107	4,267	4,374
Second Half	18,664	21,226	-2,562	4,271	1,709
Total	31,119	33,574	-2,455	8,538	6,083
1978: First Half	10,653	12,672	-2,019	4,204	2,185
Second Half	16,150	22,661	-6,511	3,896	-2,615
Total	26,803	35,333	-8,530	8,100	-430
1979: First Half	11,052	14,145	-3,093	4,062	969
Second Half	17,297	26,306	-9,009	3,620	-5,389
Total	28,349	40,451	-12,102	7,682	-4,420
1980: First Half	13,048	14,523	-1,475	4,000	2,525
Second Half	18,787	24,746	-5,959	3,630	-2,329
Total	31,835	39,269	-7,434	7,630	+196

Source: Statistics Canada

For 1980, however, net outmigration decreased substantially, recording its lowest total since 1977, and current Statistics Canada estimates suggest that the adjustments of the mid and late 1970's have been completed. These estimates also suggest that the Manitoba population registered an overall increase of about 200 during 1980.

Employment and Incomes

According to Statistics Canada's Labour Force Survey estimates, total employment in Manitoba increased by 6,000 to average 459,000 in 1980. The service sector continued to account for most of the employment increase although a third consecutive increase in average annual manufacturing employment was also recorded. The Survey indicated a substantial decline in agricultural employment last year which reflected the 1980 drought. In the absence of this decline of 2,000 in agricultural employment, Manitoba's net employment increase would have been higher, raising the employment growth rate to 1.8% or well above the Ontario rate.

The total labour force in Manitoba averaged 486,000 in 1980, an increase of 8,000 or 1.7% from 1979. The increase resulted from a 0.9 percentage point increase in the participation rate to 64.6%.

The average unemployment rate increased marginally from 5.4% in 1979 to 5.5% in 1980. It remained the third lowest among the provinces, and two percentage points below the national rate of 7.5%. Of course, this relatively favourable performance also includes the negative impact of the drought.

Labour Force

	1977	1978	1979	1980
		(Annual Averages)		
Labour Force (000)	456	471	478	486
Employment (000)	429	440	453	459
Unemployment (000)	27	31	26	27
Unemployment Rate (%)	5.9	6.5	5.4	5.5
Participation Rate (%)	61.7	63.1	63.7	64.6
		(Percentage Change)		
Labour Force (000)	2.0	3.3	1.5	1.7
Employment (000)	0.7	2.6	3.0	1.3

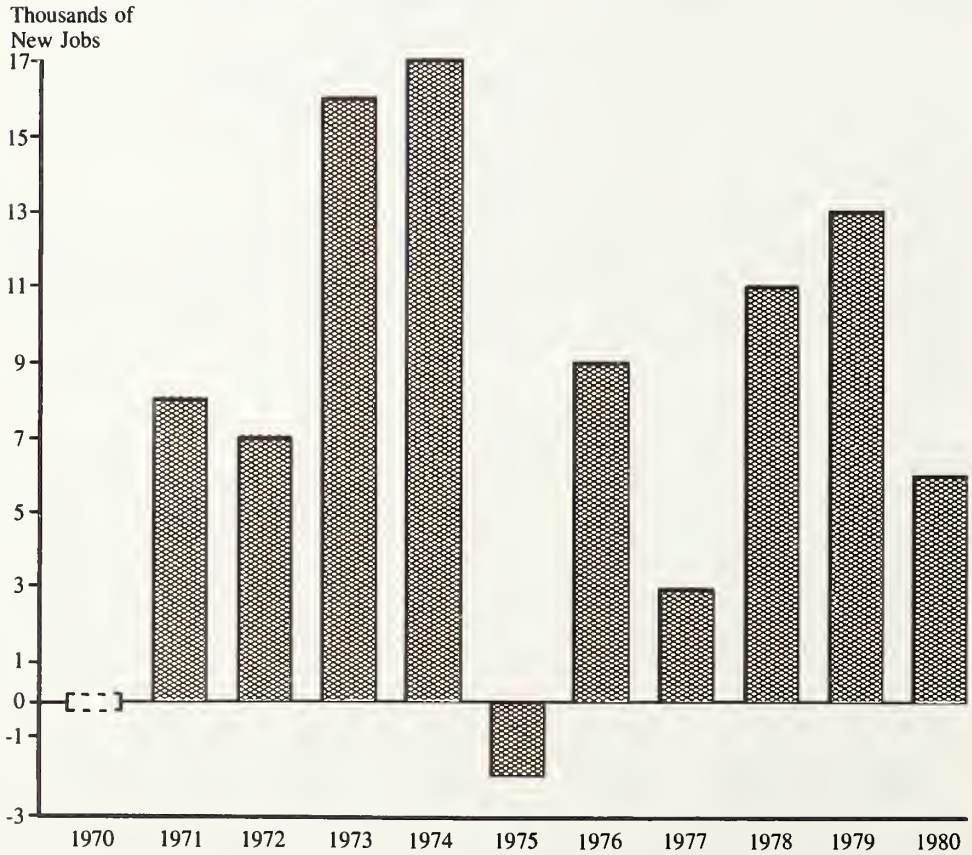
Source: Statistics Canada

The gap between the highest and the lowest unemployment rates among western provinces narrowed somewhat during 1980 with British Columbia replacing Ontario as the province with the fourth lowest unemployment rate. Alberta still clearly retains the lowest unemployment rate in the country.

Manitoba's Private Sector Youth Employment Program completed its third year of operation in 1980. Under the program, government support has been given for approximately 13,000 jobs providing valuable work experience for relatively new members of the work force. The Department of Labour and Manpower reports that the number of applications for support in the farm sector under the program was about the same in 1980 as in 1979 although it is not yet known whether the drought and poor harvest conditions affected the take-up rate under the program.

The industrial relations climate in Manitoba remained one of the best in Canada in 1980. In total, 75,990 man-days were lost as a result of work

Net Job Creation in Manitoba



Source: Statistics Canada

stoppages; the equivalent of 183 man-days for every 1,000 paid non-agricultural workers in the province. This was the lowest rate of time lost from work among all provinces except Prince Edward Island and about two-thirds of the average in Manitoba during the 1970's.

Average weekly earnings increased 9.2% in 1980, an improvement from the growth rates recorded in the previous three years. In manufacturing industries, average hourly earnings were up 10.3% in the first 11 months of 1980 over the comparable period in 1979 compared with an 8.7% increase for 1979. Preliminary estimates based on Statistics Canada data indicate that total personal income increased about 10.5%

Prices

Despite the low growth in the North American economy in 1980 and a significant moderation in the rate of increase in food prices, the overall trend was towards higher inflation rates. The Winnipeg Consumer Price Index increased by 10% last year, marginally below the national index, and an increase from the 9.2% recorded in 1979. The food component of the Winnipeg Index advanced 9.7% in 1980, down from 11.4% in the previous year.

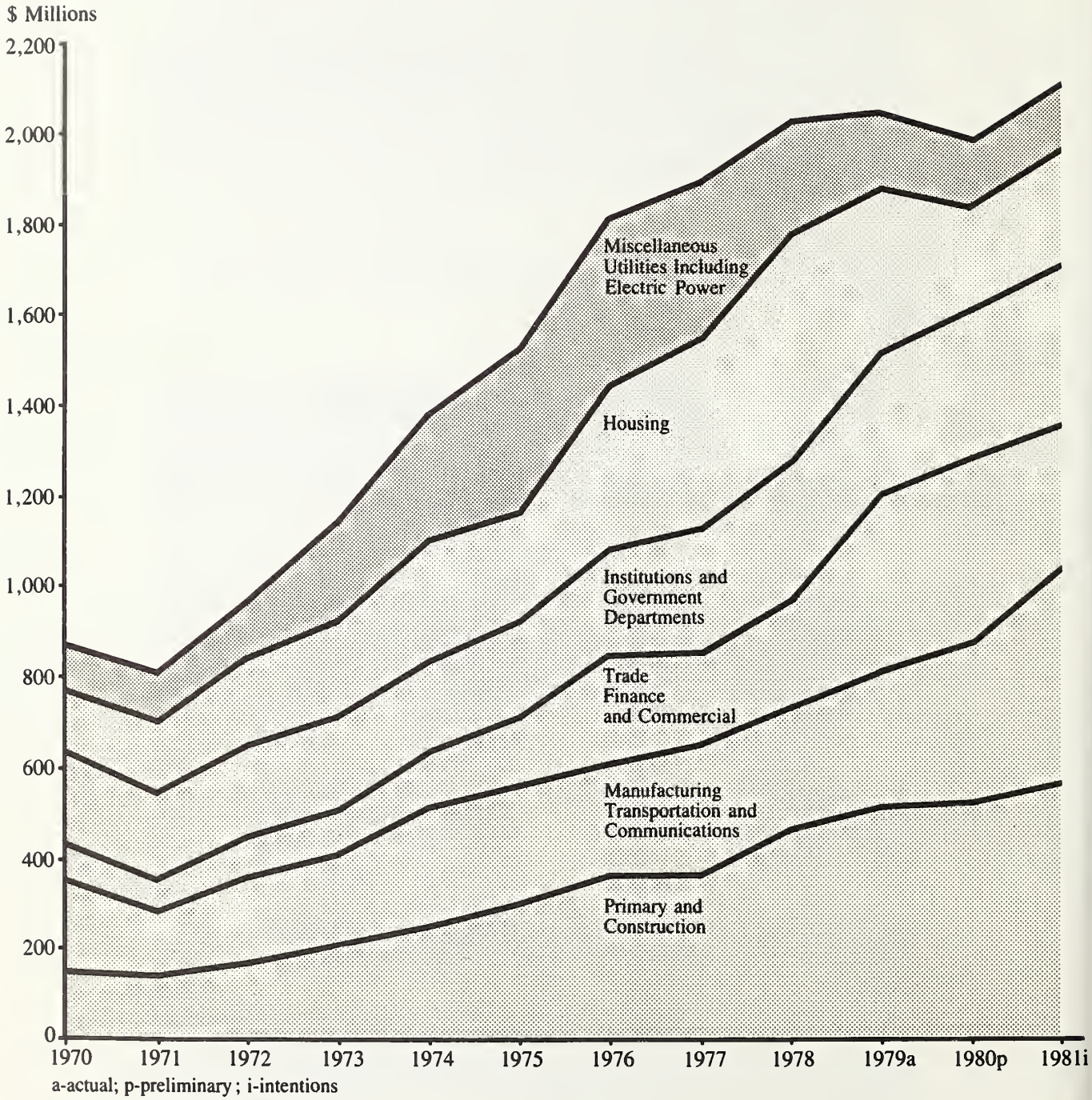
According to projections contained in the October 28th federal Budget, energy prices, on a Consumer Price Index basis, are expected to increase 21.9% in 1981. The federal Minister of Finance has indicated his expectations that the Consumer Price Index will increase about 12% this year. The increase in the Winnipeg C.P.I. for the first two months of 1981 was more than a full percentage point below the national increase.

Investment

Growth in total new capital investment outlays in Manitoba in the 1970's can be divided into a number of distinct phases corresponding to the major developments in the province.

Following a downturn in investment spending in 1971, rapid growth in the Canadian economy and in markets for Manitoba's exports combined with an escalation in investment in hydro-electric power development to produce a recovery in total investment expenditures.

New Capital Investment by Sector



a-actual; p-preliminary; i-intentions

Source: Statistics Canada

In the mid-1970's, hydro-electric investment had grown to provide the primary impetus to total investment growth, with important spin-off effects on most other sectors of the economy including construction, transportation, manufacturing, and housing. However, by 1976 most of the hydro-related spin-offs had run their course and in 1977 there was virtually no growth in total investment except in institutions, government departments and housing. At the same time it became apparent that the continued rapid development of electric power capacity, in the absence of assured markets, was unsustainable and a "hold" was placed on hydro projects.

The beginning of the most recent period of recovery and growth commenced in 1978 and this was particularly the case in the private sector. Booms in housing starts, manufacturing investment and investment in trade, financial and commercial industries led the resurgence in 1978 and there were further increases in 1979. A pause in this renewed expansion occurred in 1980. This was due to high interest rates and the recession in the Canadian economy. These factors contributed to downward revisions to investment intentions in eight of the ten provinces. Within Manitoba, the housing industry slowdown, following the record number of starts in 1978, was particularly intensified by the high cost of mortgage money.

The initial investment outlook for 1981 suggests that the investment recovery of the past three years will be resumed. However, the high interest rates which prevailed at the time the Statistics Canada Survey was conducted, as well as the low growth which was then forecast for the Canadian economy in 1981, may mean that these forecasts will be exceeded. The sensitivity of investment performance to high interest rates and federal monetary policy generally underscores the provincial dependence on national financial policies. It also underscores the importance of effective federal-provincial consultation and dialogue to develop greater understanding of the regional implications of such national measures.

Primary Industries

Rising prices for primary products provided the major source of a 12.5% increase in the value of primary production to almost $3 billion in 1980. Growth in both prices and volumes of minerals were particularly strong during the year. As discussed in the section on agriculture, below, the prairie drought as well as further adverse weather conditions during the harvest season resulted in a reduction in agriculture production volumes in 1980. However, the total value of agricultural production, along with the value of production of minerals, forestry and fishing continued to increase during the year.

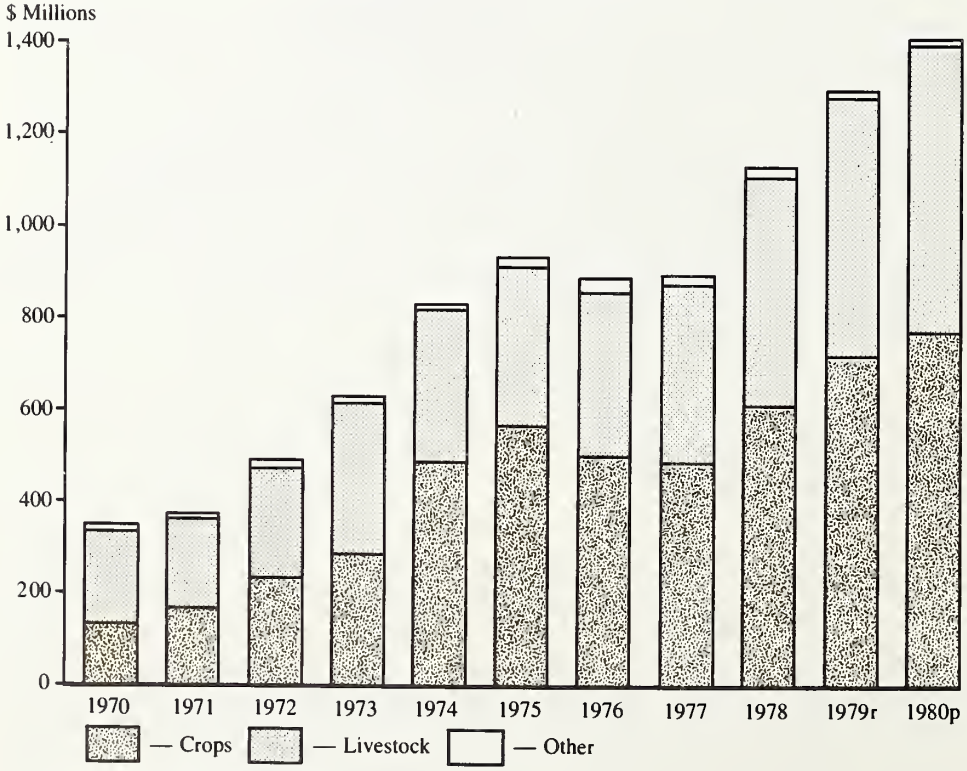
Agriculture

Despite the impact of the drought in 1980, rising prices of agricultural products offset declines in volume of several important commodities with the result that the total value of production increased from $1.6 billion in 1979 to $1.7 billion in 1980.

Sales from inventories during 1980 enabled farmers to maintain sales volumes, and in conjunction with the price increases, resulted in an 8.8% increase over 1979 in farm cash receipts, to $1.4 billion.

The net farm income picture is far less clear. Substantial revisions to Statistics Canada data for 1979, along with rapid escalation in farm operating costs have resulted in estimates which appear to suggest little change in 1980 in

Farm Cash Receipts by Major Component



r-revised; p-preliminary
Source: Statistics Canada

Farm Cash Receipts

	1977r	1978r	1979r	1980p	Percentage Change 1977/ 1976	1978/ 1977	1979/ 1978	1980/ 1979
		($ millions)						
Crop Sales	485.2	611.6	718.8	768.9	-2.2	26.1	17.5	7.0
Livestock Sales	385.9	493.2	560.9	622.8	7.6	27.8	13.7	11.0
Other Sources	21.7	21.3	11.5	12.9	27.6	-1.8	-46.1	12.4
Total Farm Cash Receipts	**892.8**	**1,126.1**	**1,291.2**	**1,404.6**	**0.9**	**26.1**	**14.7**	**8.8**

Net Farm Income

Operating and Depreciation Expenses	719.3	844.4	1,034.8	1,120.0	11.2	22.5	8.2	
Realized Net Income	**184.9**	**297.3**	**274.1**	**279.0**	**-26.3**	**60.8**	**-7.8**	**1.8**
Value of Inventory Changes	114.1	43.2	-50.0	.179.0				
Total Net Farm Income	**299.0**	**340.5**	**224.1**	**100.0**	**10.3**	**13.9**	**-34.2**	**-55.4**

r-revised; p-preliminary

Note: Due to more current revisions in the farm cash receipt data series it is not possible to reconcile farm cash receipts and farm net income at this time.

Source: Statistics Canada

realized net farm incomes from the $274 million currently estimated for 1979. However, the 1979 estimate was revised by some 20% between September and December of 1980. Total operating expenses are estimated to have increased by 24.8% between 1978 and 1979 while interest charges on farm indebtedness increased 45.5% to $119 million.

Overall, agricultural crop volumes in 1980 declined by about 16% from 1979. However, output volumes showed considerable variations among commodities. Oil seeds (flaxseed, rapeseed and sunflowers) were the hardest hit, registering volume declines of as much as 50%. Barley production increased by 19%, in part in response to Provincial programs designed to encourage reseeding and also in response to rising prices stimulated by the demand for livestock feed supplies. Wheat, which continues to be the most important crop in the province, showed a 6.7% decline from 1979 to 70,000,000 bushels in 1980, or about 9-10% below "normal" production. The volume of tame hay production

declined an estimated 42% while fodder corn volume increased nearly 17%. Potatoes and sugarbeet production also registered declines in 1980.

In the livestock sector, some culling of herds took place in response to reduced pasturage and feed supplies. It seems, however, that Provincial assistance programs were quite successful in helping to maintain basic herds.

It appears that seasonal agricultural employment was strongly affected by the drought and poor harvest conditions in 1980. According to Statistics Canada's Labour Force Survey estimates, from July to October, an average of 7,000 fewer persons were employed in agriculture than during the same period of 1979. For the entire year, agricultural employment averaged 44,000 in 1980, or 2,000 (4.3%) below the 1979 average. The decline accounted for 0.4 percentage points of total employment in the province in 1980.

Although difficult to quantify with precision, it appears likely that some indirect employment impacts in the food processing, farm supply and rural retailing sectors may have occurred as well. There is evidence of a decline in the number of units of farm equipment sold in Western Canada in 1980. However, the Canadian Farm and Industrial Equipment Institute expects an increased volume of sales in 1981.

Cost pressures continue to be a major concern for the farm sector in 1981. Rising prices of farm inputs as well as high interest costs are expected to offset any increase in farm product prices. Although estimates of inventory carry-over stocks are not yet available, the draw-down which occurred in 1980 likely means that stocks are currently low, and the volume of marketings in 1981 will largely depend on 1981 production.

Fall rains replenished soil moisture levels in many areas of the province. However, abnormally low winter precipitation and the absence of snow cover for much of the winter, has led to some concern for the coming season. In general, however, most forecasts are assuming normal growing conditions.

Forestry

Increased domestic use and inventory accumulation as well as strong extraprovincial markets led to a 15.9% increase in logging operations in Manitoba to approximately $51 million in 1980. Additional factors contributing to the logging increase were wood salvage operations in areas affected by forest fires and the continued strong demand for fuel wood.

Primary wood manufacturing including pulp and paper and saw milling increased by 15.1% in 1980 to $175 million. The increase was in response to

increased demand and significant price increases for newsprint primarily in the United States market.

The slowdown in U.S. and Canadian housing starts reduced growth in the value of secondary wood manufacturing which includes a variety of wood products such as shingles, sash and door products and insulating board, to 6.3% and to a level of $185 million in 1980.

The total value of sales of all forestry sectors in Manitoba totalled an estimated $411 million in 1980, an increase of 11.1% over 1979.

Fishing

The value of Manitoba fish sold by the Freshwater Fish Marketing Corporation for the fishing year ending April 30, 1981 is projected to be $28.6 million, an increase of 3.1% over the previous year. Total payments to Manitoba fishermen are projected to be $16.9 million for the fishing year ending April 30, 1981, an increase of 2.3%.

Total pounds of fish caught in 1980 declined to 28 million pounds, a decrease of 16.5% from 1979. The smaller total catch reflected a six million pound reduction in the amount of mullet taken. Increased prices for two of the prime species, pickerel and sauger, contributed to a net increase in the value of production and payments to fishermen.

Mineral Resources

Recovery in the mining industry, which was underway in 1979, continued in 1980 as higher prices and volumes of most metallic minerals resulted in a 27.7% increase in the total value of mineral production, to $833.8 million. Revised 1979 figures show the value of production at $652.7 million, an increase of 39.5% from 1978.

The value of nickel production posted an increase of close to 40% in 1980 following a 60% increase in 1979. The value of copper was up 25%, gold increased 87% and "other metals" recorded an increase of 42%. Zinc was the only major metal for which the value of output declined.

Value of Mineral Production

	1978	1979r	1980p	Percentage Change 1978/1977	1979/1978	1980/1979
	($ millions)					
Nickel	160.8	262.3	366.5	-43.6	63.1	39.7
Copper	99.1	138.2	172.3	7.5	39.6	24.6
Zinc	43.7	43.9	38.9	-9.3	0.4	-11.3
Gold	10.4	15.7	29.4	35.2	50.5	86.9
Other Metals	24.1	49.9	70.6	77.0	107.3	41.7
Industrial Minerals	83.7	94.3	101.2	2.6	12.6	7.4
Fuel	45.9	48.4	54.9	13.6	5.4	13.4
Total	467.8	652.7	833.8	-17.8	39.5	27.7

r-revised; p-preliminary

Totals may not add due to rounding.

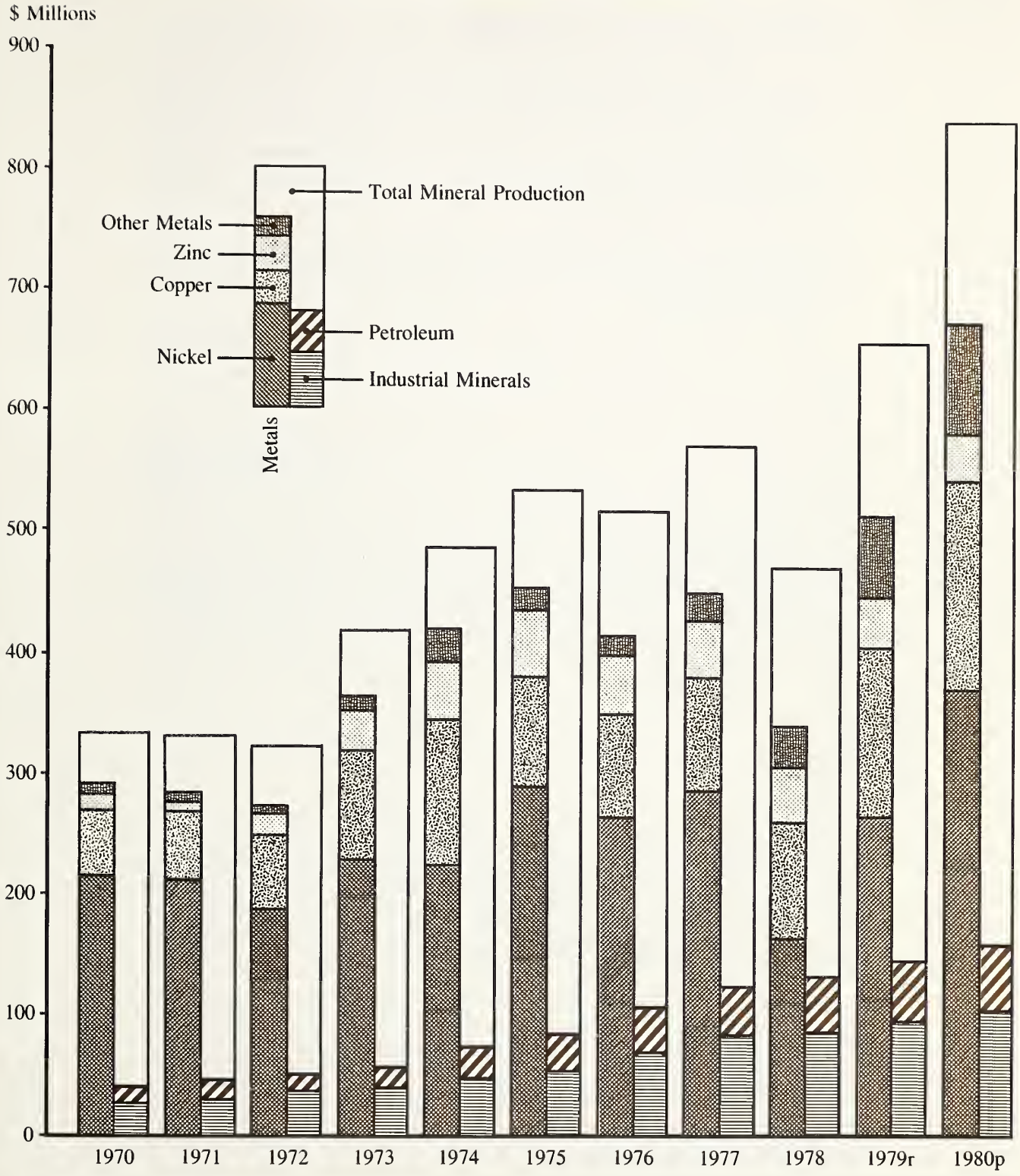
SOURCE: Statistics Canada and Manitoba Department of Energy and Mines

The value of industrial minerals increased 7.4% in 1980, reflecting the slow growth in demand from the construction sector. Higher prices for petroleum resulted in a 13.4% increase in the value of petroleum production for the year.

Expenditures for exploration in the minerals sector excluding fuels increased 87% in 1980 to $31.0 million, while the number of acres recorded for claims, claim blocks and permits rose by 58% to 1.2 million acres. Highlights of recent exploration and development activity include the following:

- Exploratory work in the St. Lazare area has confirmed there is potash of sufficient quality and quantity to develop Manitoba's first potash mine. Development would require a capital expenditure of over $500 million over the next five years and would result in a mine capable of producing two million tons of potash a year and directly employing 400 people in western Manitoba.
- The Hudson Bay Mining and Smelting Co., Limited is spending more than $58 million to develop new mines at Trout Lake, Stall Lake (Rod Mine) and Spruce Point. In addition, as part of an ongoing program to upgrade and modernize its metallurgical operations at Flin Flon, Hudson Bay is currently spending $20 million in revamping its zinc refinery.
- INCO's $20 million, five-year exploration program is continuing. INCO is also testing the commercial development of a new nickel smelting process at Thompson. The estimated capital cost is $17 million.

Value of Mineral Production



r-revised; p-preliminary
Source: Manitoba Department of Energy and Mines

- Higher prices for precious metals are rekindling interest in gold. Brinco Ltd., and New Forty Four Mines Limited recently announced a decision to invest $15 million to resume production at Bissett's San Antonio gold mine. In addition, Sherritt-Gordon carried out an extensive surface drilling program in 1980 at the Agassiz Resources gold mine near Lynn Lake, and is planning to spend another $3 million in 1981 to deepen a shaft and undertake lateral exploration work in order to be able to outline the deposit more precisely.

- Tantalum Mining Corporation of Canada Ltd., has completed a program to increase capacity by 40% and has implemented a plan to reprocess stockpiled tailings.

Manitoba has current oil production equal to about 15% of Manitoba's demand for oil. Oil exploration increased last year in Manitoba with 27 new wells being drilled, two more than 1979 and the largest number since 1969. A record high $32 million was spent on oil exploration and development activity in the province last year. Further increases are expected for 1981. Omega Hydrocarbons recently announced the discovery of a new oil-producing geological strata in the Waskada area about 65 miles southwest of Brandon. Omega has reported that its discovery in the Lower Amaranth strata is the first such discovery in Canada. All previous oil discoveries in Manitoba have been in the Mississippian geological strata, which is located immediately below the Lower Amaranth formation. Work is proceeding on the discovery which, if confirmed, could substantially increase Manitoba's production potential.

Energy

Mild winters in 1979-80 and again in 1980-81, along with improved conservation efforts, resulted in a reduction in Manitoba's total energy requirements of approximately 2% in 1980. The reduced heating requirements also resulted in a slightly lower proportion of oil and gas consumption in the energy requirements total than in 1979.

In 1980, it is estimated that the use of oil declined by 3% and the use of natural gas by 5.2%. Use of electricity in the province rose by 1.2% and coal consumption increased 13%. Natural gas is providing a growing proportion of the province's energy, at 31.6% of energy consumption. Oil remains the largest contributor, providing over 46% of Manitoba's use of energy. This proportion has declined slightly in recent years, down from 47.8% in 1978. Coal provides about 2.5% of Manitoba's energy.

Electrical energy, almost entirely generated from Manitoba's abundant renewable hydro resources provided about 19% of total energy used in the province during 1980. Of Manitoba's total developed hydro-electric generating capacity of 3,644 megawatts, 2,612 megawatts or about 71.7% is situated on the Nelson-Churchill River system in the northern part of the Province. Approximately 6,100 megawatts or 1.7 times the current developed capacity remains to be harnessed on the Nelson-Churchill River system to meet the growing energy needs of the prairie region and mid-western United States regions. Negotiations for the Western Power Grid which would provide a major electrical connection with the other prairie provinces are currently well underway. Discussions are also underway for a significant transmission line which would link the electric utilities of Nebraska, the Dakotas, Minnesota and Manitoba.

Manufacturing

In 1980, for the second consecutive year, manufacturing shipments in Manitoba increased at a faster rate than in Canada, rising 10.0% to $4.3 billion compared with the national increase of 9.4%. Manufacturing investment increased by 31.0% in 1979. Preliminary figures show growth of 7.5% in 1980 reflecting the negative influence of high interest rates, the North American recession and the Prairie drought. It appears that the drought may have directly contributed to a postponement of some 1980 investment plans which had been announced earlier in the year by the farm machinery industry. For 1981, investment intentions indicate a further increase of 12.5%.

Employment in manufacturing industries increased by 1,000 to an annual average of 64,000 in 1980. Much of the increase was recorded in the first half of the year as expansions completed in 1979 became fully operational. Lay-offs in the farm equipment industry and the dampening effect of the North American recession on both domestic and export demand, contributed to a downturn in manufacturing employment during the summer months. However, by March, 1981, the latest period for which estimates are available, manufacturing employment had recovered to 66,000.

Transportation equipment and machinery continued to be two of the strongest growing manufacturing industries in 1980, with increases in shipments of 16.5% and 15.9%, respectively. Printing, publishing and allied industries recorded a gain of 13.2% for the year while paper and allied industries increased 13.0%. Despite lower production volumes of many agricultural crops, processed shipments of food and beverage products expanded by

12.4% in 1980, and comprised about one-third of total manufacturing industry shipments in Manitoba. In part due to the slowdown in residential construction activity, shipments of non-metallic minerals, including some construction materials, declined, and shipments of wood, furniture and fixtures showed limited growth in 1980. Following strong recovery and rapid expansion in capacity in 1978 and 1979, shipments of clothing, knitting and textile industries increased by 6.4% in 1980.

Manufacturing Shipments by Industry

	Value of Shipments 1980p ($ millions)	Percentage Change 1978/1977	1979/1978	1980/1979
Food and Beverage	1,435.2	11.0	16.7	12.4
Machinery	375.1	9.0	36.3	15.9
Metal Fabricating	331.7	23.3	16.1	8.0
Transportation Equipment	307.0	16.6	29.2	16.5
Clothing, Knitting and Textiles	280.5	17.5	15.7	6.4
Paper and Allied	251.4	14.3	20.6	13.0
Wood, Furniture and Fixtures	197.1	19.3	13.3	2.3
Printing, Publishing and Allied	195.1	11.4	12.8	13.2
Primary Metal	184.7	25.1	34.5	-3.7
Non-Metallic Minerals	123.3	28.1	1.4	-11.0
Electrical	114.4	17.2	13.6	-1.4
Chemical	112.2	15.5	14.4	4.0
Other	346.3	33.7	8.0	19.1
Total	**4,253.9**	**16.4**	**17.9**	**10.0**

p-preliminary
Totals may not add due to rounding.
SOURCE: Statistics Canada CANSIM and Manitoba Department of Finance

Further progress in strengthening Manitoba's industrial sector through measures designed to realize identified opportunities and minimize constraints to development was achieved in 1980 under the joint Canada-Manitoba Enterprise Manitoba Agreement. The Agreement is in the third year of its five year term with activity well advanced.

The Rural Small Enterprise Incentives Program has provided incentives totalling $2.7 million to 145 rural businesses in its first two years. This assistance has resulted in total capital investment of $7.1 million and associated employment of 427 persons.

Under the Industrial Development Program, three investment projects identified for development during the next year include the $6.8 million blood fractionation plant to be established in Manitoba by the RH Institute; a new $1.2 million plant to be built by United Fibre Bond Inc. which is expected to create 24 new jobs; and a $4.5 million aluminum forging facility in Winnipeg to employ 53 people.

Enterprise Development Centres at Winnipeg and Brandon have seventeen new manufacturing ventures in operation in the advance factory space provided in these Centres. The Centres have responded to 4,000 business enquiries and they provided counselling assistance to 350 rural businesses during their first year of operation. More than 600 participants were involved in the Centres' "seminar 80" series which included 14 seminars and 12 management training programs.

Industrial Infrastructure Program grants are expected to result in new private investment and jobs for Manitobans. A $3.6 million grant to the Rural Municipality of Russell facilitated the establishment of a $40 million CSP Foods Limited oilseed crushing plant at Harrowby which is expected to be in operation in 1982 and to initially employ 86 persons. Infrastructure assistance to 6 other communities is expected to result in 120 new jobs.

The Industrial Technology Centre in St. Boniface was fully commissioned by December, 1980 and provided technical evaluation and testing services for 27 Manitoba companies. The Centre is also involved in a co-operative project with the Manitoba Telephone System in automobile fleet evaluation of gasohol and propane fuels.

The Canadian Food Products Development Centre in Portage la Prairie, the second centre under the $16 million Technology Centre Program, opened in July, 1980 and is engaged in a major vegetable processing pilot project which could result in the establishment of a manufacturing plant in Manitoba, as well as a project for the utilization of whey by-product from cheese plants in the Province.

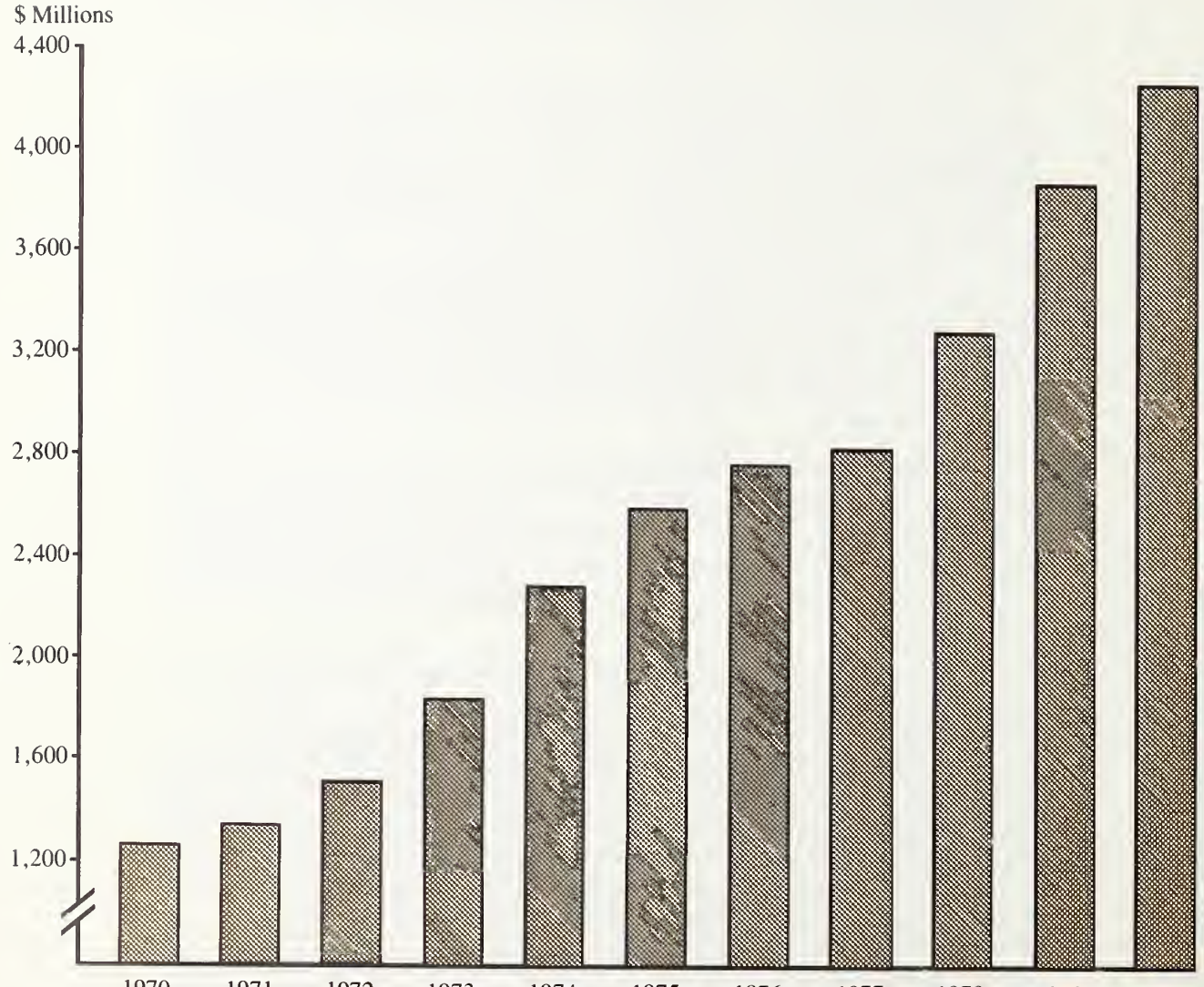
Community Commercial Development plans for Selkirk and Winkler were prepared in 1980/81 on a cost-shared basis with these communities.

The Manitoba Design Institute assisted in winning $780,000 in support of 8 projects advanced through the federal Enterprise Development Program during 1980. It also assisted in gaining support for 31 projects under the federal Design Assistance for Small Projects. In addition, consulting services were provided to 170 Manitoba firms. Through the efforts of the Institute, effective product design is increasingly within the reach of our smaller firms.

The Human Resource Management Branch works primarily with companies in the small to medium size range — to identify training needs and

develop training programs. Effective human resource development not only anticipates skill bottlenecks but improves productivity and morale and reduces staff turnover. The branch provided initial consulting services to 65 companies and worked with 40 to establish comprehensive human resources management projects. The overall objective is to increase the initial productivity of a new employee, advance her or his entry into the work force, and increase the attractiveness of hiring a new employee.

Value of Manufacturing Shipments



r-revised; p-preliminary
Source: Statistics Canada

Tourism

The tourism industry in Manitoba experienced a year of strong growth in 1980 as the numbers of visitors continued to rise and visitors' expenditures reached new record levels. The total number of non-residents visiting Manitoba grew from a level of 2.78 million in 1979 to 2.96 million in 1980, an increase of 6.5%. All markets performed well with the number of visitors from other provinces increasing 4.7%, United States visitors up 10.5%, and overseas visitors increasing 2.9%.

The market environment lent itself to aggressive marketing efforts on the part of the Province and the industry. Good summer weather, the lower value of the Canadian dollar, and the attraction of lower gasoline prices provided Canada and Manitoba with some strong competitive advantages for drawing non-residents to Canada, and for encouraging Canadians to travel within the country.

Total expenditures by Manitobans and non-residents on travel goods and services in the Province increased to $427.0 million. This represented growth of 13.6% from the level recorded in 1979.

The increase in visitors was reflected in continued growth in the number of convention delegates to the City of Winnipeg. Total delegates increased by 16.4% over 1979 levels, to 81,000 in 1980.

This increased tourism activity resulted in improved rates of accommodation occupancy in Manitoba. Two large new hotels, plus several smaller expansions, were added to total room capacity in Winnipeg during the year.

Total sales by the accommodation and restaurant sectors of the tourism industry have been estimated at well over $500 million in 1980. An important proportion of these revenues are from traveller expenditures.

Three programs under the Destination Manitoba Tourism Development Sub-Agreement (a joint undertaking by the Governments of Manitoba and Canada) continued to provide support for tourism initiatives by Manitoba organizations during 1980. The Industry Organization Program provided support to strengthened regional programs of the Tourism Industry Association of Manitoba, as well as to the Brandon Visitors and Convention Bureau and the Manitoba Hotel Association.

The Attractions Program supported the tourism marketing efforts of some 25 attractions and events while the Package Tour Development Program assisted tour operators in developing 30 new tour packages in the Province.

Assistance was also provided under the Agreement for a planning study of

the tourism and recreation resources of the Lake Manitoba and Lake Winnipegosis region of the Province. This program also funded the completion of the first phase of the Manitoba Tourism Development Plan and work is continuing on regional and destination area development plans.

The outlook for 1981 is for another favourable year for tourism as the exchange rate advantage and the attraction of Canada's gasoline prices to American automobile travellers are anticipated to continue during the peak travel season. While disposable incomes available for vacation expenditures are being squeezed by inflation in most western countries, Canada's relative price advantages place Manitoba in a good position in the United States and overseas market places.

Retail Trade

Retail sales totalled $3.2 billion in 1980 according to estimates compiled by Statistics Canada. Sales increased 8.5% in Winnipeg, to an estimated $2.0 billion. However, the growth in sales outside the capital city increased by a more moderate 5.3%, to $1.2 billion. Despite the weakness in sales outside of Winnipeg from May to October, sales for the year were much stronger in 1980 than in 1977 when a decline of 4.1% in sales outside of Winnipeg was recorded. The Province's drought assistance programs appear to have had a positive influence in restoring consumer confidence following the poor performance of sales in June in light of the potentially disastrous implications of the drought situation.

As elsewhere in Canada, high interest rates played a role in constraining the growth of retail sales, particularly of "large ticket" items. Strong growth in sales was recorded among general stores, women's clothing and shoe stores, household furniture and furniture, T.V., radio and appliance stores, pharmacies and service stations.

Outlook

In 1981, the Manitoba economy is expected to recover from the effects of the drought and the North American recession each of which contributed to sub-potential performance in 1980. Overall, the Province's real output is ex-

pected to increase at about the same rate as the national average. As in the past, however, Manitoba's economic performance over the short term will be sensitive to both national and international circumstances which are beyond provincial control.

Last year, the Economic Review noted some of the national and international factors which will influence Manitoba's development in the 1980's. Among them are the growth in markets for the Province's primary and secondary exports, interest rates, changing demographic and labour mobility patterns and the tremendous commitment of resources which will be required to develop Canada's renewable and non-renewable energy potential. Important as well to the present and future development of the Province is the general climate of investor and business confidence.

The Provincial Government has largely fulfilled its program of restoring accountability and responsibility in the public sector, and this has contributed to an important resurgence in investor confidence. Unfortunately, national developments during the past year have not always been supportive of these efforts. Particular examples are monetary, interest rate and energy policies.

Within a more supportive national policy context, it would be possible to achieve growth both in Manitoba and Canada closer to the long term economic potential. That point is recognized by all provincial governments which have repeatedly stressed the importance of renewed federal-provincial cooperation and consultation in economic, fiscal and monetary matters.

Over the longer term, Manitoba's prospects are encouraging. The Province is blessed with diversification and balance, a solid infrastructure, a skilled and highly motivated workforce, a proud and confident people, vast natural resources, a good supply of affordable housing, enormous cultural amenities and important locational advantages. In short, the Province has all the essential ingredients for sustained and healthy growth in the 1980's and beyond.

Consultations and negotiations are currently underway regarding a number of large scale capital projects which will add to economic activity in Manitoba, both through near term economic stimulus and through permanent additions to the productive base.

Negotiations on the Western Power Grid are progressing well. Approval of the Grid would provide a firm financial justification and foundation for the resumption of construction of the Limestone Generating Station and for further development of the Nelson-Churchill River system. The net economic benefits arising from the Grid are large. Past experience has shown Manitoba based manufacturers and suppliers of goods and services have benefitted significantly from projects of the scale of Limestone. In addition to the potential Western Grid interconnection, Manitoba has been pursuing the development of U.S. markets, including the Mandan Project.

Another reason for optimism is the recent confirmation that the St. Lazare Region has sufficient potash, both in terms of quality and quantity, to justify development of Manitoba's first potash mine. Such a mine would require expenditures of over $500 million over five years and would result in 400 direct permanent jobs in western Manitoba. A second company is carrying out further potash exploration work north of the known deposit.

The Aluminum Company of Canada is considering the establishment of a primary aluminum production and processing facility in Manitoba. Such a facility would require a major block of hydro power, involve an investment of over $500 million and provide 700 direct jobs.

As well, negotiations are well underway for a major new investment in the Manfor Forest Products Complex at The Pas.

To summarize, 1981 should see marked improvement in the Manitoba economy and significant, sustained real growth can be expected throughout the rest of the decade. The downturn, in short, is over, and major improvement in all major economic indicators can be expected.

Economic Statistics — Manitoba

	1977	1978r	1979r	1980p	Percentage Growth Rates 1977/1976	1978/1977	1979/1978	1980/1979
GROSS PROVINCIAL PRODUCT: ($ millions)	8,560.0	9,350.0	10,450.0	**11,470.0**	7.5	9.2	11.8	**9.8**
SECTORAL INDICATORS:								
Agricultural Production ($ millions)	1,209.0	1,521.0	1,585.0	**1,691.0**	11.6	25.8	4.2	**6.7**
Manufacturing Shipments ($ millions)	2,818.4	3,279.9	3,866.9	**4,253.9**	1.9	16.4	17.9	**10.0**
Mineral Production ($ millions)	568.7	467.8	652.7	**833.8**	10.4	-17.8	39.5	**27.7**
Electric Power Available (millions of kwh)	14,503.0	18,423.0	21,486.0	**20,562.0**	-4.5	27.0	16.6	**-4.3**
Housing Starts (units)	9,410.0	12,121.0	5,772.0	**2,597.0**	0.8	28.8	-52.4	**-55.0**
Retail Trade ($ millions)	2,513.0	2,726.6	2,938.3	**3,153.2**	4.4	8.5	7.8	**7.3**
Gross Tourism Expenditures ($ millions)	332.7	341.5	376.0	**427.0**	0.4	2.6	10.1	**13.6**
INCOMES:								
Farm Cash Receipts ($ millions)	892.8	1,126.1	1,291.2	**1,404.6**	0.9	26.1	14.7	**8.8**
Total Personal Income ($ millions)	7,009.0	7,673.0	8,460.0	**9,350.0**	8.3	9.5	10.3	**10.5**
Personal Disposable Income ($ millions)	5,907.0	6,592.0	7,269.0	**8,000.0**	9.4	11.6	10.3	**10.1**
Average Weekly Wages and Salaries ($)	226.3	239.7	259.0	**282.7**	8.5	5.9	8.0	**9.2**
NEW CAPITAL INVESTMENT:								
Total ($ millions)	1,897.3	2,018.0	2,040.9	**1,980.8**	4.7	6.4	1.1	**-2.9**
Private Sector ($ millions)	1,138.0	1,385.6	1,463.4	**1,403.5**	7.2	21.8	5.6	**-4.1**
Public Sector ($ millions)	759.3	632.4	577.5	**577.3**	1.2	-16.7	-8.7	**0.0**
POPULATION: Statistics Canada June 1st Estimate (thousands)	1,029.1	1,033.5	1,032.0	**1,028.3**	0.7	0.4	-0.1	**-0.4**
LABOUR FORCE (Annual Averages):								
Labour Force (thousands)	456.0	471.0	478.0	**486.0**	2.0	3.3	1.5	**1.7**
Employment (thousands)	429.0	440.0	453.0	**459.0**	0.7	2.6	3.0	**1.3**
Participation Rate (%)	61.7	63.1	63.7	**64.6**	—	—	—	—
Unemployment Rate (%)	5.9	6.5	5.4	**5.5**	—	—	—	—
CONSUMER PRICE INDEX:								
Winnipeg (1971 = 100 - Annual Averages)	162.7	176.5	192.7	**211.9**	8.0	8.5	9.2	**10.0**

r- some data have been revised in accordance with updated Statistics Canada information; p-preliminary estimates

SOURCE: Statistics Canada CANSIM and Manitoba Department of Finance

APPENDIX C

THE WHITE PAPER PROGRAMS — A PRELIMINARY REVIEW

1) Introduction

Last year's White Paper on Tax Credit Reform represented the culmination of a comprehensive two year review of Manitoba's tax credits and related programming. As noted in the White Paper, the purposes of that review were two-fold:

1. to provide significant and equitable provincial assistance to homeowners and tenants in meeting the costs of school and general municipal taxation, and

2. to provide extra assistance in relation to the actual needs of Manitobans.

This paper is intended to provide a preliminary, and, of necessity, general assessment of the effectiveness of the reforms outlined in the 1980 White Paper in achieving these purposes. A more detailed assessment of the reforms will be undertaken when the Province receives actual information on property and cost of living tax credit payments through the income tax system for 1980. However, because 1980 income tax returns are only now being filed, complete information is unlikely to be available from Revenue Canada until the early part of 1982.

2) Summary of the White Paper

One of the main failings of the former Property and Cost of Living Tax Credit Programs involved their reliance on individual taxable income to relate credit payments to needs for this form of assistance. As a consequence, "income related" benefits were dispersed among many Manitoba families not in need of this form of assistance. More importantly, the dissipation of a significant and substantial portion of the funds provided for "income related" assistance severely constrained the ability of government to provide more adequately to those with greater needs.

To remedy the widely recognized weaknesses of using individual taxable income as a measure to relate payments to needs, Manitoba sought and obtained the concurrence of the federal government to extend the use of the more comprehensive net family income concept in place for federal Child Tax Credits to Manitoba's tax credits administered through the income tax system. The use of the most comprehensive income concept possible ensures that the funds provided to meet needs will actually be directed towards meeting those needs.

In principle, only by targeting to meet needs can those in less fortunate circumstances be provided with adequate resources. Less targeting would involve a wider dispersion of the available funds and correspondingly reduced assistance to those in need. The validity of this principle is widely recognized. For example a more comprehensive income concept is used for federal Child Tax Credits. In addition, it may be noted that in 1974, at the Provincial Premiers' Conference, the former Premier of Manitoba stated:

"Families should be taxed or supported each as an economic unit, and the definition of income as the basis for support payments and taxation should be more comprehensive than at present." *

Of course, the income definitional change was not the only change included in the 1980 White Paper to improve shelter assistance and income support programming. The funds saved by using the more comprehensive income measure were applied, along with additional expenditure commitments, towards the White Paper programs. The other major changes were:

- a $100 increase in the basic property tax assistance available to homeowners and tenants throughout the Province from $225 to $325.
- a $75 increase in school tax assistance for pensioner homeowners from $100 to $175, a lowering of the level at which school taxes qualify for assistance from $375 to $325 thereby extending eligibility for this program to pensioners living in more moderately assessed homes, and the extension of assistance to pensioners residing in rented accommodation.
- a $100 increase in the general property tax credit maximum from $375 to $475 and a further $50 increase in the maximum property tax credit available to senior citizens from $375 to $525.
- the doubling of assistance under the Manitoba Supplement for Pensioners Program from $94 to $188 for single senior citizens and from $202 to $405 for senior citizen couples. As well, support under this program was extended to include pensioners who had not yet attained senior citizen status by reducing the age requirement under the program to 55.
- enrichments to the Shelter Allowances for Elderly Renters (SAFER) Program which was implemented on January 1, 1980. SAFER now provides support of up to 90% of rent in excess of 25% of income to an overall maximum payment of $120 monthly or $1,440 annually. This program was also extended to include pensioners under the age of 65 by reducing the age requirement to 55. As well, the SAFER mechanism was used to provide an advance payment of property tax credits to eligible applicants.

*SOURCE: 1975 Manitoba Budget, p. 166.

- implementation of the Child Related Income Support Program (CRISP) to provide low income families with $30 in monthly support for each child. For a family with 4 children, typical payments are $1,440 at $10,000 in total income (including federal Child Tax Credit), $995 at $12,000 in total income, $525 at $14,000 in total income with the payments ultimately phasing out at $16,234 in total income.

- implementation of the Shelter Allowances for Family Renters (SAFFR) Program. SAFFR provides low income families with children support of up to 90% of rent in excess of 25% of income to an overall maximum payment of $140 monthly or $1,680 annually. SAFFR also provides eligible families with an advance payment of their property tax credits.

- major enrichments in day care funding, including the initiation of programs for noon and after school care, a particular help for working mothers.

As indicated in the White Paper last year, the Government expected that the revised framework of support programs for low income families with children, low income pensioners and low income senior citizens would ensure that much more substantial and timely help accrues to these groups. This point was subsequently confirmed by the Winnipeg Social Planning Council which carried out a "Critical Review" of the White Paper Reforms. In the report released last Spring, that "Critical Review" included the following comments in its conclusions.

"We have argued that, in principle, the combination of universal supplement tax credit programs and more targeted income support programs, reflected by the package of White Paper proposals, is the most efficient and effective vehicle for responding to need." *

Of course, the Social Planning Council Review also indicated that even greater levels of assistance could have been provided to the target groups had more comprehensive definitions of income been used. However, the federal government indicated that it was not prepared to agree to the use of the even broader "total income" concept suggested in that Review.

3) White Paper Program Monitoring

The 1980 Manitoba Budget included a commitment to monitor the White Paper Programs in their implementation stages to ensure that the programs were meeting their objectives and to ensure that the potential anomalies or problems which so often accompany major program reforms, could be identified. That monitoring is continuing. To date, it has confirmed the relative

*SOURCE: Social Planning Council of Winnipeg, "The Manitoba White Paper on Tax Credit Reform: A Critical Review", p. 20

success of the new program package in providing more assistance to those who need it most.

This success is in marked contrast to the contention advanced by some commentators that senior citizens living on Old Age Security and Guaranteed Income Supplement payments and low income single parent families with children somehow receive smaller assistance under the new programs than was the case for 1979. The following illustrations may be of some assistance to such commentators in understanding the full impact of the White Paper Programs on these people.*

- A senior citizen couple homeowner with $600 in property taxes and $7,859 in Old Age Security and Guaranteed Income Supplement payments** receives total Provincial assistance of $1,075 under the White Paper Programs ($191 in cost of living tax credits, $480 in property tax credits and $405 under the Manitoba Supplement for Pensioners).

  In contrast the assistance available to the same couple under the 1979 system was $836 ($259 in cost of living tax credits, $375 in property tax credits and $202 under the former Manitoba Supplement for the Elderly).

  The increase in support from $836 to $1,075 is $239 or 28.6%.

- At $500 in school taxes, such a couple's school tax assistance for 1980 is $175 compared with $100 for 1979, bringing the total increase in support to $314.

- Similar, and, depending on actual rent, greater increases in support are now available to senior citizen renters.

  At $200 in monthly rent, the support under the White Paper Programs is $1,153 ($191 in cost of living tax credits, $480 in property tax credits or SAFER, $78 in pensioners' school tax assistance and $405 under the Manitoba Supplement for Pensioners).

  In 1979, the support available totalled $836 ($259 in cost of living tax credits, $375 in property tax credits and $202 under the former Manitoba Supplement for the Elderly).

  The increase in support from $836 to $1,153 is $317 or 37.9%

- At higher levels of rent, the increases in support are even greater. At the current maximum claimable rent for SAFER of $270 monthly, support totals $1,441 compared with $836, an increase of $605 or 72.4%.

---

*In these examples, totals may not add precisely due to rounding.

**$7,859 represents the basic guaranteed income for a married senior citizen couple under the Old Age Security and Guaranteed Income Supplement payments for 1980.

- For a single parent family with two children and $8,000 in total income, and $600 in property taxes, the total support under the White Paper Programs is $1,224 ($104 in cost of living tax credits, $400 in property tax credits and $720 in CRISP).

  Under the 1979 system the total assistance was $501 ($145 in cost of living tax credits and $356 in property tax credits).

  The increase in support is $723 from $501 for 1979 to $1,224 under the White Paper Programs.

- For tenants, additional support related to rental obligations and income is also provided.

  At $295/month in rent, the total support is $2,258 compared with $501 for 1979, an increase of $1,757.

The monitoring program has also identified an anomaly in the existing Cost of Living Tax Credit Program under which a wide range of entitlements are available to couples with similar net incomes. For example, at $10,000 in net income, if one spouse claims the other as a full dependent, the couple qualifies for a cost of living tax credit of $63. However, if one spouse earns $2,000 and the other $8,000, the cost of living tax credit entitlement is $16, a difference of $46. The same problem occurred under the 1979 Cost of Living Tax Credit Program where the respective cost of living tax credits would have been $100 and $57 respectively, a difference of $43.

4) White Paper Program Improvements

The basic policy question raised by such differences in payments is whether any income support system should provide disparate benefits at equal incomes or whether couples with similar resources should receive similar support. In the Province's view, it appears unreasonable in principle for the Cost of Living Tax Credit Program to provide unequal benefits to families with similar net incomes.

Cost of Living Tax Credits

To ensure that the Cost of Living Tax Credit Program delivers the same level of payments to couples with the same net incomes, the Government proposes to permit couples to calculate their maximum cost of living tax credit on a joint basis. More specifically, effective for the current (1981) taxation year, couples will be permitted to add the personal exemptions shown on their spouse's return to their own for cost of living tax credit purposes.

This change will provide all married couples with a cost of living tax credit maximum for 1981 of $190.20. More importantly, it will ensure that couples with similar net family incomes will receive the same level of cost of living tax credit benefits irrespective of the distribution of that income between the spouses. For a family with $10,000 in net income equally divided between husband and wife, the change will increase cost of living tax credits from $0 for 1980 to $90 for 1981. For a senior citizen couple with $10,000 in net income equally apportioned between husband and wife, the increase is $127 from $82 for 1980 to $209 for 1981.

Property Tax Credits

The Province has reviewed the question of whether or not some further increases in property tax credit benefits are appropriate this year in light of prevailing property tax levels, the Government's capacity to underwrite the costs of increases and the needs of low and moderate income Manitobans for this form of support.

Further to that review, the Government proposes to increase the general property tax credit maximum by $50 from $475 to $525 and to increase the maximum for senior citizens by $100 from $525 to $625. These changes will both be reflected on the Manitoba Tax Credit Application Forms included with 1981 personal income tax returns.

These increases in the maximum property tax credits represent the first time in the history of Manitoba property tax credits when the full benefits of the additional Provincial commitment will be applied towards income-related assistance. There will be no increase in the basic minimum property tax credit.

5) Total Costs

The White Paper Programs required provision for a total of $196.4 million in benefit payments for the current fiscal year. This represents an increase of $30.9 million or 18.7% over the $165.5 million approved for last year before the White Paper improvements.

The additional benefits provided under the further improvements proposed for 1981 are estimated to total some $11 million. However, since these payments will be delivered through the income tax system next Spring they do not affect 1981/82 expenditure requirements. However, they will have the effect of increasing total benefits under the programs for 1981 to an estimated $207.4 million on an annual basis.

6) Effects of the White Paper Programs

In overall terms, the White Paper Programs constitute a framework of income and shelter assistance programming which is more sensitive to the

needs of Manitobans. The Manitoba Property Tax Credit Program provides a basic level of support of $325 in help with property taxes while the income related feature of this program, together with cost of living tax credits, assures greater general assistance to moderate and lower income Manitobans. The new targeted programs for low income senior citizens and pensioners and for low income and single parent families with children are particularly sensitive to the needs of these groups for additional support.

Senior Citizens

Low income senior citizens are prime beneficiaries of support under the White Paper Programs.

The doubling of the Manitoba Supplement for Pensioners from $94 to $188 for single senior citizens and from $202 to $405 for senior citizen couples provides substantially greater help to low income senior citizens. At current national Old Age Security and Guaranteed Income Supplement levels, the MSP assures single senior citizens a guaranteed basic income of $5,007. For senior citizen couples the guaranteed floor income is $8,965. In contrast, the assured basic incomes in 1979 were $3,777 for single senior citizens and $6,981 for senior citizen couples.

The 1981 property tax credit for senior citizens provides a basic $325 in support for property taxes compared with $225 in 1979. The support for property taxes increases as need increases. At a net income of $10,000, the property tax credit is $525 or $150 larger than the $375 maximum property tax credit which prevailed in 1979. In fact, all senior citizens with net incomes under $25,000 and sufficient property taxes or rents now have property tax credits greater than the 1979 maximum, available to them.

The 1981 Pensioners' School Tax Assistance Program provides greater assistance to pensioners facing high school taxes. In 1979, this program was available to homeowners only and provided up to $100 in extra help with school taxes over $375. For 1980 and 1981, this program provides greater assistance (the maximum was increased from $100 to $175) to a larger number of homeowners (the level at which school taxes qualify for support was reduced from $375 to $325 thereby extending eligibility to pensioners in more moderately assessed homes). As well, the program was extended to pensioner tenants.

The 1981 SAFER Program provides up to $120 in monthly help to pensioner tenants facing high rent in relation to income. The program covers up to 90% of rent in excess of 25% of income and thereby targets support to pensioners who face strains as a result of rental payments. In addition, this program provides an advance property tax credit payment to eligible applicants thereby assuring more timely support during the year rather than after the year end. At any specified income level, the largest assistance payments accrue to

pensioners with higher rents. As incomes increase and rents as a proportion of income decrease, so does the available support.

The 1981 Cost of Living Tax Credit Program provides senior citizens with maximum cost of living tax credits of $154.50 single and $309 married. These maximum entitlements are reduced by 1% of family net income. At the current basic Old Age Security level of $2,498 annually for single senior citizens, the program provides $130. In contrast, at the same net income level of $2,498 in 1979, a senior citizen would have qualified for $129.30. Similarly, at the current basic Old Age Security level of $4,996 for married senior citizen couples, the program now provides $259 compared with $258.60 for 1979.

As this brief overview of the White Paper Programs indicates, senior citizens, and more particularly those with the lowest incomes, are primary beneficiaries of the White Paper Reforms.

This conclusion is further underscored in the appended tables which summarize the support available to senior citizens under the White Paper Programs and compare this level of support with the support provided under the former programs in 1979. Moreover, the tables indicate general increases in support through all the income levels considered.

Families With Children

The White Paper Programs deal specifically with the needs of lower income families, including many single parent families with children.

The Property Tax Credit Program provides a basic level of support of $325 compared with $225 under the 1979 program. This support increases as need increases, as reflected in lower net family incomes. All families with net incomes under $15,000 now qualify for support in excess of the former $375 maximum.

The Cost of Living Tax Credit Program continues to provide supplemental support, although the support provided is generally smaller than for 1979. The reduced reliance on cost of living tax credits was instrumental however in freeing funds for CRISP and SAFFR and other programs to address needs.

CRISP provides payments of $30 monthly for each child in low income families. This monthly support is about twice the maximum annual cost of living tax credit provided for each child under the 1979 program. Payments are gradually phased out at higher income levels.

SAFFR provides up to $140 in monthly assistance to help pay the rent. The actual assistance is calculated taking both rent and income information into account. It covers up to 90% of rent in excess of 25% of income. It also provides an advance property tax credit to eligible families. As incomes increase or rents decrease in relation to income, SAFFR assistance is correspondingly reduced.

Improved day care programming removes a disincentive for mothers who wish to work to improve the family situation and become more secure and independent. The initiation of noon and after school care programs provides a continued measure of assistance to these families as their children enter the school system.

This summary of the White Paper Programs of importance to families struggling to meet the obligations of caring for their children suggests that the programs deliver more substantial and responsive support to meet real needs.

This conclusion is reinforced in the appended tables which show the support available to low income families under the White Paper Programs and the comparative support and assistance available under the 1979 programs. Again, the tables also indicate the magnitude of the increases in support which are of particular benefit to lower income families.

Comparisons with Pre-White Paper Programs

The appended tables contain detailed information on the impact of the network of income and shelter assistance programs under the White Paper umbrella for various categories of Manitobans. In general, the tables confirm the success of the new programs in meeting needs.

The tables also include comparisons of the assistance payments available under the former programs for 1979, the last full year for which they applied. Although the tables generally speak for themselves, they lead to two conclusions which are of sufficient importance to summarize here:

1. generally the largest increases in assistance are provided to those with the lowest incomes, and

2. senior citizens and low income families gain most substantially, largely as a result of the implementation of targeted programs which respond effectively and directly to the recognized additional needs of the groups.

APPENDIX C — TABLES

INCOME AND SHELTER SUPPORT PROGRAMMING

ILLUSTRATIVE TABLES

TABLE I

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 and 1981
MARRIED SENIOR CITIZEN COUPLE: TENANT

Non-OAS/ GIS Income	1979 Income Including OAS/GIS	1981 Income Including OAS/GIS	1979 Tax Credits, Income and Shelter Support	1981 Tax Credits, Income and Shelter Support	Increase 1981 Over 1979
$0	$6,981	$8,865	$836	$1,522	$686
1,000	7,525	9,409	634	1,063	429
2,500	8,257	10,141	634	959	325
5,000	9,509	11,392	620	909	289
7,500	11,649	12,645	558	859	301
10,000	14,149	14,997	508	809	301
12,500	16,649	17,497	458	759	301
15,000	19,149	19,997	408	709	301
20,000	24,149	24,997	308	609	301
25,000	29,149	29,997	241	509	268
30,000	34,149	34,997	225	500	275

OAS/GIS refers to the Old Age Security and Guaranteed Income Supplement payments. These amounts are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally, and is assumed to be received by one spouse.

Calculations assume sufficient rents to qualify for maximum benefits.

Totals may not add due to rounding.

TABLE IA

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981

MARRIED SENIOR CITIZEN COUPLE: TENANT

Non-OAS/ GIS Income	1979				1981					
	Property Tax Credit	Cost of Living Tax Credit	MSP	Total Credits	Property Tax Credit	Cost of Living Tax Credit	MSP	Pensioners' School Tax Assistance	SAFER	Total Credits
$0	$375	$259	$202	$836	$575	$259	$405	$175	$683	$1,522
1,000	375	259	0	634	565	249	0	175	639	1,063
2,500	375	259	0	634	550	234	0	175	421	959
5,000	368	252	0	620	525	209	0	175	97	909
7,500	367	191	0	558	500	184	0	175	0	859
10,000	342	166	0	508	475	159	0	175	0	809
12,500	317	141	0	458	450	134	0	175	0	759
15,000	292	116	0	408	425	109	0	175	0	709
20,000	241	66	0	308	375	59	0	175	0	609
25,000	225	16	0	241	325	9	0	175	0	509
30,000	225	0	0	225	325	0	0	175	0	500

OAS/GIS refers to the Old Age Security and Guaranteed Income Supplement payments. These amounts are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally, and is assumed to be received by one spouse.

Calculations assume sufficient rents to qualify for maximum benefits.

Totals may not add due to rounding.

TABLE II

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981

MARRIED SENIOR CITIZEN COUPLE: HOMEOWNER

Non-OAS/ GIS Income	1979 Income Including OAS/GIS	1981 Income Including OAS/GIS	1979 Tax Credits, Income and Shelter Support	1981 Tax Credits, Income and Shelter Support	Increase 1981 Over 1979
$0	$6,981	$8,865	$936	$1,414	$478
1,000	7,525	9,409	734	989	255
2,500	8,257	10,141	734	959	225
5,000	9,509	11,392	720	909	189
7,500	11,649	12,645	658	859	201
10,000	14,149	14,997	608	809	201
12,500	16,649	17,497	558	759	201
15,000	19,149	19,997	508	709	201
20,000	24,149	24,997	408	609	201
25,000	29,149	29,997	341	509	168
30,000	34,149	34,997	325	500	175

OAS/GIS refers to the Old Age Security and Guaranteed Income Supplement payments. These amounts are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally, and is assumed to be received by one spouse.

Calculations assume sufficient property taxes to qualify for maximum benefits.

Totals may not add due to rounding.

TABLE IIA
COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
MARRIED SENIOR CITIZEN COUPLE: HOMEOWNER

Non-OAS/ GIS Income	1979					1981				
	Property Tax Credit	Cost of Living Tax Credit	MSP	Pensioners' School Tax Assistance	Total Credits	Property Tax Credit	Cost of Living Tax Credit	MSP	Pensioners' School Tax Assistance	Total Credits
$0	$375	$259	$202	$100	$936	$575	$259	$405	$175	$1,414
1,000	375	259	0	100	734	565	249	0	175	989
2,500	375	259	0	100	734	550	234	0	175	959
5,000	368	252	0	100	720	525	209	0	175	909
7,500	367	191	0	100	658	500	184	0	175	859
10,000	342	166	0	100	608	475	159	0	175	809
12,500	317	141	0	100	558	450	134	0	175	759
15,000	292	116	0	100	508	425	109	0	175	709
20,000	242	66	0	100	408	375	59	0	175	609
25,000	225	16	0	100	341	325	9	0	175	509
30,000	225	0	0	100	325	325	0	0	175	500

OAS/GIS refers to the Old Age Security and Guaranteed Income Supplement payments. These amounts are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally, and is assumed to be received by one spouse.
Calculations assume sufficient property taxes to qualify for maximum benefits.
Totals may not add due to rounding.

TABLE III

COMPARISON OF MANITOBA TAX CREDITS. INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981

SINGLE SENIOR CITIZEN: TENANT

Non-OAS/ GIS Income	1979 Income Including OAS/GIS	1981 Income Including OAS/GIS	1979 Tax Credits, Income and Shelter Support	1981 Tax Credits, Income and Shelter Support	Increase 1981 Over 1979
$0	$3,777	$5,007	$598	$1,915	$1,318
1,000	4,297	5,527	504	1,643	1,139
2,500	5,041	6,271	504	1,389	885
5,000	7,074	7,523	491	829	338
7,500	9,574	9,998	441	755	314
10,000	12,074	12,498	391	705	314
12,500	14,574	14,998	341	655	314
15,000	17,074	17,498	291	625	334
20,000	22,074	22,498	225	575	350
25,000	27,074	27,498	225	525	300
30,000	32,074	32,498	225	500	275

OAS/GIS refers to the Old Age Security and the Guaranteed Income Supplement payments. These amounts are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally.

Calculations assume sufficient rents to qualify for maximum benefits. Total benefits include the larger of property tax credits or SAFER.

Totals may not add due to rounding.

TABLE IIIA

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981

SINGLE SENIOR CITIZEN: TENANT

Non-OAS/ GIS Income	1979				1981					
	Property Tax Credit	Cost of Living Tax Credit	MSP	Total Credits	Property Tax Credit	Cost of Living Tax Credit	MSP	Pensioners' School Tax Assistance	SAFER	Total Credits
$0	$375	$129	$94	$598	$600	$130	$188	$175	$1,423	$1,915
1,000	375	129	0	504	590	120	0	175	1,348	1,643
2,500	375	129	0	504	575	105	0	175	1,110	1,389
5,000	368	122	0	491	550	80	0	175	575	829
7,500	343	98	0	441	525	55	0	175	278	755
10,000	318	73	0	391	500	30	0	175	0	705
12,500	293	48	0	341	475	5	0	175	0	655
15,000	268	23	0	291	450	0	0	175	0	625
20,000	225	0	0	225	400	0	0	175	0	575
25,000	225	0	0	225	350	0	0	175	0	525
30,000	225	0	0	225	325	0	0	175	0	500

OAS/GIS refers to the Old Age Security and the Guaranteed Income Supplement. These amounts are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally.

Calculations assume sufficient rents to qualify for maximum benefits. Total benefits include the larger of property tax credits or SAFER.

Totals may not add due to rounding.

TABLE IV

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
SINGLE SENIOR CITIZEN: HOMEOWNER

Non-OAS/ GIS Income	1979 Income Including OAS/GIS	1981 Income Including OAS/GIS	1979 Tax Credits, Income and Shelter Support	1981 Tax Credits, Income and Shelter Support	Increase 1981 Over 1979
$0	$3,777	$5,007	$698	$1,092	$394
1,000	4,297	5,527	604	885	280
2,500	5,041	6,271	604	855	230
5,000	7,074	7,523	591	805	214
7,500	9,574	9,998	541	755	214
10,000	12,074	12,498	491	705	214
12,500	14,574	14,998	441	655	214
15,000	17,074	17,498	391	625	134
20,000	22,074	22,498	325	575	250
25,000	27,074	27,498	325	525	200
30,000	32,074	32,498	325	500	175

OAS/GIS refers to the Old Age Security and Guaranteed Income Supplement payments. These rates are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally.

Calculations assume sufficient property taxes to qualify for maximum benefits.

Totals may not add due to rounding.

TABLE IVA

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981

SINGLE SENIOR CITIZEN: HOMEOWNER

Non-OAS/ GIS Income	1979					1981				
	Property Tax Credit	Cost of Living Tax Credit	MSP	Pensioners' School Tax Assistance	Total Credits	Property Tax Credit	Cost of Living Tax Credit	MSP	Pensioners' School Tax Assistance	Total Credits
$0	$375	$129	$94	$100	$698	$600	$130	$188	$175	$1,092
1,000	375	129	0	100	604	590	120	0	175	885
2,500	375	129	0	100	604	575	105	0	175	805
5,000	368	123	0	100	591	550	80	0	175	705
7,500	343	98	0	100	541	525	55	0	175	755
10,000	318	73	0	100	491	500	30	0	175	705
12,500	293	48	0	100	441	475	5	0	175	655
15,000	268	23	0	100	391	450	0	0	175	625
20,000	225	0	0	100	325	400	0	0	175	575
25,000	225	0	0	100	325	350	0	0	175	525
30,000	225	0	0	100	325	325	0	0	175	500

OAS/GIS refers to the Old Age Security and Guaranteed Income Supplement payments. These rates are calculated using the rates in effect for April-June, 1981. MSP refers to the Manitoba Supplement for Pensioners. All income other than the OAS and GIS is assumed to derive from interest and pension sources equally.

Calculations assume sufficient property taxes to qualify for maximum benefits.

Totals may not add due to rounding.

TABLE V
COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
MARRIED TAXFILER UNDER AGE 65:
Dependent Spouse, Four Dependent Children Under 16 (Tenant)

Total Income	1979			1981					
	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	Cost of Living Tax Credit	Property Tax Credit	C.R.I.S.P.	SAFFR	Total Tax Credits, and Income Support	Increase 1981 Over 1979
$5,000	$209	$375	$584	$213	$477	$1,440	$1,664	$3,317	$2,733
7,500	209	375	583	190	454	1,440	1,102	2,732	2,148
10,000	185	351	536	167	431	1,220	301	1,817	1,281
12,500	162	328	489	143	407	632	0	1,183	693
15,000	138	304	441	120	384	45	0	548	107
20,000	89	254	343	71	335	0	0	407	64
25,000	39	225	264	21	325	0	0	346	83
30,000	0	225	225	0	325	0	0	325	100

Total income includes employment sources and Family Allowances, and does not include Child Tax Credits.

Deductions include employment expense deduction, C.P.P. contributions, U.I. premiums, standard deduction and personal exemptions.

Calculations assume sufficient rents to qualify for maximum property tax credits and SAFFR payments. Total benefits include the greater of property tax credit or SAFFR.

Totals may not add due to rounding.

TABLE VI
COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
MARRIED TAXFILER UNDER AGE 65:
Dependent Spouse, Four Children Under 16 (Homeowner)

Total Income	1979			1981				Increase 1981 Over 1979
	Cost of Living Tax Credit	Property Tax Credit	Total Tax Credits	Cost of Living Tax Credit	Property Tax Credit	C.R.I.S.P.	Total Tax Credits, and Income Support	
$5,000	$209	$375	$584	$213	$477	$1,440	$2,131	$1,546
7,500	209	375	583	190	454	1,440	2,084	1,501
10,000	185	351	536	167	431	1,220	1,817	1,281
12,500	162	328	489	143	407	632	1,183	693
15,000	138	304	441	120	384	45	548	107
20,000	89	254	343	71	335	0	407	64
25,000	39	225	264	21	325	0	346	83
30,000	0	225	225	0	325	0	325	100

Total income includes employment sources and Family Allowances, and does not include Child Tax Credits.

Deductions include employment expense deduction, C.P.P. contributions, U.I. premiums, standard deduction and personal exemptions.

Calculations assume sufficient property taxes or rents to qualify for maximum property tax credits.

Totals may not add due to rounding.

TABLE VII
COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
MARRIED TAXFILER UNDER AGE 65:
Dependent Spouse, Two Dependent Children Under 16 (Tenant)

Total Income	1979			1981					Increase 1981 Over 1979
	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	Cost of Living Tax Credit	Property Tax Credit	C.R.I.S.P.	SAFFR	Total Tax Credits, and Income Support	
$5,000	$179	$375	$554	$178	$478	$720	$1,680	$2,578	$2,024
7,500	169	365	534	155	454	720	1,381	2,256	1.722
10,000	145	341	487	132	431	372	813	1,317	830
12,500	122	318	440	108	408	0	83	516	76
15,000	98	294	392	85	384	0	0	469	77
20,000	49	244	293	36	335	0	0	371	78
25,000	0	225	225	0	325	0	0	325	100

Total income includes employment sources and Family Allowances, and does not include Child Tax Credits.

Deductions include employment expense deduction, C.P.P. contributions, U.I. premiums, standard deduction and personal exemptions.

Calculations assume sufficient rents to qualify for maximum property tax credits and SAFFR payments. Total benefits include the greater of property tax credit or SAFFR.

Totals may not add due to rounding.

TABLE VIII
COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
MARRIED TAXFILER UNDER AGE 65:
Dependent Spouse, Two Children Under 16 (Homeowner)

Total Income	1979			1981				Increase 1981 Over 1979
	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	Cost Of Living Tax Credit	Property Tax Credit	C.R.I.S.P.	Total Tax Credits, and Income Support	
$5,000	$179	$375	$554	$178	$478	$720	$1,376	$822
7,500	169	365	534	155	454	720	1,329	796
10,000	145	341	487	132	431	372	935	448
12,500	122	318	440	108	408	0	516	76
15,000	98	294	392	85	384	0	469	77
20,000	49	244	293	36	335	0	371	78
25,000	0	225	225	0	325	0	325	100

Total income includes employment sources and Family Allowances, and does not include Child Tax Credits.
Deductions include employment expense deduction, C.P.P. contributions, U.I. premiums, standard deduction and personal exemptions.
Calculations assume sufficient property taxes or rents to qualify for maximum property tax credits.
Totals may not add due to rounding.

TABLE IX
COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
MARRIED TAXFILER UNDER AGE 65:
No Dependent Children (Dependent Spouse)

Total Income	1979			1981			Increase 1981 Over 1979
	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	
$0	$149	$375	$524	$190	$525	$715	$191
2,500	149	375	524	166	501	667	141
4,000	149	375	524	153	487	640	116
5,000	149	375	524	143	478	621	97
7,500	129	355	484	120	455	575	90
10,000	106	332	437	97	431	528	91
12,500	82	308	390	73	408	481	91
15,000	58	284	342	50	385	434	92
20,000	9	234	243	1	335	336	93
25,000	0	225	225	0	325	325	100

Income is from employment sources.

Deductions include employment expense deduction, C.P.P. contributions, U.I. premiums, standard deduction and personal exemptions.

Calculations assume sufficient rents or property taxes to qualify for maximum property tax credits.

Totals may not add due to rounding.

TABLE X

COMPARISON OF MANITOBA TAX CREDITS, INCOME AND SHELTER SUPPORT PROGRAMS: 1979 AND 1981
SINGLE TAXFILER UNDER 65:
No Dependents

Total Income	1979			1981			Increase 1981 Over 1979
	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	Cost Of Living Tax Credit	Property Tax Credit	Total Tax Credits	
$0	$80	$375	$455	$95	$525	$620	$165
2,500	80	375	455	71	501	572	117
4,000	69	364	433	57	487	545	112
5,000	60	355	415	48	478	526	111
7,500	36	332	368	25	455	480	111
10,000	13	308	321	1	431	433	111
12,500	0	285	285	0	408	408	123
15,000	0	261	261	0	385	385	124
20,000	0	225	225	0	335	335	110
25,000	0	225	225	0	325	325	100

Income is from employment sources.

Deductions include employment expense deduction, C.P.P. contributions, U.I. premiums, standard deduction and personal exemptions.

Calculations assume sufficient rents or property taxes to qualify for maximum property tax credits.

Totals may not add due to rounding.

APPENDIX D

RECENT STATEMENTS ON FISCAL, ECONOMIC AND CONSTITUTIONAL MATTERS

EXPLANATORY NOTE

It has been traditional practice to include as a background supplement to the Manitoba Budget Address copies of recent major government statements on fiscal and economic matters. A series of position statements on constitutional matters which have been put forward over the last several months are also included with the 1981 Manitoba Budget Address because of their importance and relevance to economic and fiscal policy.

Joint statements issued by all ten provinces at the 21st Annual Premiers' Conference held in Winnipeg in August, 1980 and a consensus statement on the Fiscal Arrangements presented by Manitoba, on behalf of the Western Provinces at a Federal-Provincial Conference of Finance Ministers in December, 1980 are also included.

Following presentation of the Budget, the Western Premiers held their tenth conference in Thompson, Manitoba on April 28, 1981. The communiques from the Thompson Conference are included as well.

APPENDIX D

RECENT STATEMENTS ON FISCAL, ECONOMIC AND CONSTITUTIONAL MATTERS

TABLE OF CONTENTS

- INTRODUCTORY STATEMENT ON 1981-82 MAIN ESTIMATES OF EXPENDITURES — HON. A. BRIAN RANSOM, FEBRUARY, 1981 131
- STATEMENT ON FEASIBILITY STUDY FOR ALCAN DEVELOPMENT — HON. D. W. CRAIK, APRIL 20, 1981 139
- STATEMENT ON THE ECONOMIC SITUATION FROM FEDERAL-PROVINCIAL FINANCE MINISTERS' CONFERENCE — DECEMBER, 1980 147
- THE FISCAL ARRANGEMENTS: THE GENERAL CONCERNS OF THE WESTERN PROVINCES, DECEMBER 17, 1980 153
- STATEMENTS AND COMMUNIQUES FROM THE TWENTY-FIRST ANNUAL PREMIERS' CONFERENCE, AUGUST 20-24, 1980 159
  - — OPENING STATEMENT — HON. STERLING LYON 161
  - — STATEMENT ON THE ECONOMY — HON. STERLING LYON 165
  - — COMMUNIQUES ON:
    - THE CONSTITUTION 168
    - THE ECONOMY 170
    - ENERGY 172
    - INTERPROVINCIAL TRUCKING AGREEMENT 173
- COMMUNIQUES FROM THE WESTERN PREMIERS' CONFERENCE, APRIL 28-29, 1981 175
- STATEMENTS ON CONSTITUTIONAL MATTERS: 187
  - — FIRST MINISTERS' CONFERENCE ON THE CONSTITUTION — SEPTEMBER, 1980 189
    - — OPENING STATEMENT 191
    - — STATEMENT ON THE ENTRENCHMENT OF A CHARTER OF RIGHTS 196
    - — STATEMENT ON EQUALIZATION 200
    - — STATEMENT ON "POWERS OVER THE ECONOMY" 202
    - — CLOSING STATEMENT 206
  - — THE HON. STERLING LYON — ADDRESS TO THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS, FEBRUARY 2, 1981 211
  - — CONSTITUTIONAL ACCORD, CANADIAN PATRIATION PLAN, APRIL 16, 1981 223

INTRODUCTORY STATEMENT

ON

1981-82 MAIN ESTIMATES

OF

EXPENDITURE

HONOURABLE A. BRIAN RANSOM

FEBRUARY, 1981

INTRODUCTORY STATEMENT

ON THE

1981-82 MAIN ESTIMATES OF EXPENDITURE

HONOURABLE A. BRIAN RANSOM
MINISTER OF FINANCE AND
CHAIRMAN OF THE TREASURY BOARD

**Tabled in the 31st Legislature, Province of Manitoba,
5th Session, on February 3, 1981**

Mr. Speaker:

It has become customary for the Minister of Finance to make an introductory statement when tabling the Estimates, and I seek the permission of the House to do so this afternoon. I would like to begin while the Estimate Books are being distributed.

The Main Estimates for the fiscal year beginning April 1, 1981 total $2,377,522,300, an increase of $303.9 million, or 14.66% over the total authority voted for 1980/81 at our last Session, including both the Main and Supplementary Estimates.

With nearly two months still remaining until the end of the 1980/81 fiscal year, and with nearly three months to go before the books are closed, it appears that the increase between the "actual" year end figure for 1980/81 and the Estimates for 1981/82 will be reasonably close to the "print-over-print" figures in terms of both total dollars and percentage growth. This will occur as a consequence of lapsing of certain other authority which is not required in the current year.

The Estimates before you have been prepared with careful attention to several key factors, especially demographic trends, long term requirements and the ability of Manitobans to bear the cost of government. The level of funding being requested is, in the light of these considerations, what our government believes is both necessary and prudent to achieve selective expansions of services for the purpose of meeting identified needs; to preserve the quality of our institutions; to relieve inequitable burdens on property taxpayers; to improve the management of our natural resources; to encourage economic development, and, in total, to assure the continuation of the high standard of living and quality of life enjoyed by Manitobans.

Our proposed expenditures for 1981/82 will be made upon a program base which has, through consolidation, restructuring, and prudent management over the past three years, been made substantially more efficient and effective. The many program improvements provided for in the Estimates before you will be achieved with a level of expenditure in constant dollar terms that is likely to be about 3% to 4% above the 1980/81 level. Such significant program improvements could not be implemented without the increases in efficiency and effectiveness we have accomplished over the past three years. For example, examination of the individual departmental estimates will show that staffing levels are presently around 1,500 below 1977/78 levels, and at the end of fiscal 1981/82 will still be approximately 1,300 below 1977/78 levels.

Your review of the Estimates will also show that some new programming is to be brought about by the reallocation of funds. The most obvious and significant examples are the White Paper reforms — including the new Child-Related Income Support Program, the expanded Manitoba Supplement for Pensioners, the enriched SAFER program for elderly renters, the new SAFFR program for family rental assistance, substantially-increased day-care funding, the new program of noon and after-school care, and the now-more-equitable tax credit programs. These reforms were made possible by the commitment of added financial resources and by carefully integrating and targetting the programs to ensure that those in real need will receive substantial increases in assistance. On a smaller scale, realignments have been made in several other program areas to ensure that top priorities are assigned the financial resources they require.

A combination of careful budgetary control and reallocation of funds has also enabled us to keep within the expenditure guideline set by the First Ministers in 1978 when they agreed that:

> "The trend of government expenditure growth should be held, on average, to less than the trend growth in the value of the Gross National Product or Provincial Gross Product."

Some of my colleagues have already provided preliminary information on key program improvements for which provision has been made in the 1981/82 Estimates. Full details will, of course, be made available in Committee of Supply.

At this time I would like to outline only a few of the highlights.

The largest single increase . . . approximately $115 million . . . will go toward financing further improvements in what is already widely regarded as one of the best health care systems in Canada. The Estimates for the Department of Health are forecast to total just over $700 million for next

year . . . up almost 20% over 1980/81 — reflecting a broad range of important priorities, including a 24% increase in the estimates for personal care homes, a 31% increase for dental services, including the Children's Dental Program, and a combined increase of over 18% in the hospital and medical care programs.

The second largest dollar increase is for the Department of Education . . . close to $101 million . . . bringing the departmental total to $501 million, an increase of 25% over the estimate for the current year.

Two of the major improvements in programming which are covered by this increase have already been announced by my colleague, the Minister of Education:

— Some $70 million of additional authority will go toward the first major reform of public school financing in Manitoba in nearly a decade and a half — a series of improvements which will make possible the realization of a commitment by this government to pay 80% of the costs of education throughout the province. The new education support program will provide major additional assistance for school divisions across the province and will help provide expanded educational opportunities for our children. At the same time, the new measures will have a beneficial impact on school property taxes in the majority of those divisions because they provide for a far more equitable allocation of the costs of education.

— A substantial portion of the additional funds for the Department of Education will cover important improvements in assistance to our universities through the Universities Grants Commission.

The third largest increase of 1981/82 in dollar terms is the $37.7 million in additional authority for the Department of Community Services and Corrections. The departmental total . . . some $249 million . . . is up 18% over the 1980/81 estimate.

Part of this increase will cover the estimated costs of the new "CRISP" program implemented effective January 1st. Authority for other elements of the White Paper programs of assistance for lower income and elderly Manitobans can be found in the Estimates of the Manitoba Housing and Renewal Corporation and the Department of Finance. The aggregate authority being sought in these Estimates for White Paper programs including tax credits totals just under $200 million.

Overall . . . the combined increases for the three major departments with responsibility in the area of social programming . . . Health, Education and Community Services and Corrections . . . are equivalent to approximately 83% of the $303.9 million increase in our estimated expenditures for the coming year.

The Estimates also provide for a series of important increases in all the major departments which share direct responsibility for encouraging economic and resource development, without which no government can afford to provide services to its people.

An increase of 19% or $3.6 million is being proposed for the Department of Economic Development and Tourism.

The requirements of the Department of Highways and Transportation will increase by approximately 10% or $15.2 million, while those of the Department of Natural Resources are estimated to go up 13% or $7.6 million.

The Estimates for the normal programming of the Department of Agriculture are also up by some 9% or almost $3 million. The overall Estimates for the Department show a decrease, of course, because of the special $41.4 million provision in last year's Estimates for drought relief and assistance.

Although the estimate for the Department of Northern Affairs also appears to be lower than for the current year, in fact, total northern expenditures in 1981/82 are expected to be higher than in 1980/81.

The Estimates have been adjusted to reflect the changeover from the Northlands Agreement to the new Northern Development Agreement and, as a note on page 109 of the Estimates Book explains, additional northern development expenditures for 1981/82 are provided for under the Enabling Vote. Cost-sharing is also being proposed for certain Manitoba Telephone System expenditures which are not covered by the Province's Main Estimates.

An additional and extremely important element in our overall economic development strategy is, of course, the five-year Hydro rate freeze which took effect in 1979. The cost of Hydro rate stabilization in 1981/82 is estimated at $35.8 million, an increase of $21.7 million over the estimate for 1980/81. As was noted when this program was first introduced, the costs will vary from year to year in line with the repayment schedule for Hydro's foreign debt and the fluctuation in the value of foreign currencies.

The costs of the Hydro Rate Stabilization Program are, of course, a statutory item and are shown in the Estimates of the Department of Finance along with general public debt costs, which are also statutory.

The provision for public debt charges in this year's Estimates is $94.6 million . . . up $14.9 million or just under 19% from the $79.7 million provision in last year's Estimates.

Earlier, I referred to a new Northern Development Agreement. Provision for a portion of the expenditures for this new Agreement . . . as well as for part of the cost of the Winnipeg Core Area Initiatives Agreement . . . are included in the Canada-Manitoba Enabling Vote. This year, that Vote totals some $14.2 million — an increase of $4.3 million, or 43% above the vote for last year. The purpose of the Enabling Vote is to facilitate the management of the cash flows associated with these and other agreements, particularly in their start-up stages.

While our government is optimistic about the probability of a number of new agreements with the Department of Regional Economic Expansion, it is important to emphasize that we share with all the other provinces a number of serious concerns about the possibility of major cutbacks in federal transfers to the provinces — particularly transfers for health, post-secondary education, social services, and other programming.

My predecessor presented a consensus statement on this subject on behalf of all four western provinces at a Finance Ministers' Conference in Ottawa in December. Since that time, we have received no new information on federal plans.

The Speech from the Throne at the opening of this Session emphasized our government's determination to continue introducing improvements in the key programs covered by federal-provincial financial arrangements. The Estimates I have tabled today show that we intend to live up to that commitment . . . but, in the face of a major federal threat to our current system of transfer payments, we must weigh with considerable caution additional demands for further program expansion.

One example of uncertainty is the status of the R.C.M.P. cost-sharing agreement. I want to draw Members' attention to the fact that the Estimates of the Department of the Attorney-General provide for a level of expenditures for R.C.M.P. services in line with the 1980/81 Estimates under the current contract provisions. This is consistent with our position and, I believe, the positions of the other provinces which are now in negotiation with the Government of Canada on this matter.

I will provide Members with a status report on the federal-provincial transfer payment negotiations . . . and on the overall outlook for revenues for 1981/82 . . . when I present my first Budget later in the Session.

I should probably add a few words of additional explanation on some of the technical points in the Estimates:

— First, the Estimates have been adjusted to reflect the realignment of ministerial responsibilities announced by the Premier a few weeks ago.

— Secondly, and as usual, the partial provision for current-year general salary increases has been "folded" into the individual departmental totals for 1980/81. And . . . because of the current extended contract with the M.G.E.A., provisions for the full salary increases under the contract are included in each of the departmental totals for 1981/82. In previous years, when a contract had not been signed, it was customary to include a partial, lump sum allowance in the Estimates for the coming year. For the information of Members, it is estimated that general salary increases next year in excess of those resulting from promotions, increments and other adjustments will total approximately $20 million more than the $7.5 million "contingency" amount included in the 1980/81 Estimates. This $20 million accounts for nearly a full percentage point of the 14.66% increase in this year's Estimates.

— Finally, and again, as usual . . . no allowance has been included for normal lapsing.

Before concluding . . . I want to express my appreciation . . . and that of the Finance Department staff who assist the Treasury Board . . . to the Ministers and officials of all Departments who co-operated in the painstaking process of assembling the Estimates now before you.

I also want to pay special tribute to my predecessor as Minister of Finance . . . the Member for Riel. When he took on the Finance portfolio in October of 1977, he faced the onerous . . . and in many ways thankless . . . task of restoring a sound financial base in this province. Under his financial stewardship our government has made great strides towards achieving this goal.

Thank you, Mr. Speaker.

STATEMENT ON FEASIBILITY STUDY

FOR ALCAN DEVELOPMENT

BY THE HONOURABLE

DONALD W. CRAIK

MINISTER OF ENERGY AND MINES

APRIL 20, 1981

MR. SPEAKER:

It gives me great pleasure to announce to the House and to table at this time a Letter of Intent that this Government has just signed with the Aluminum Company of Canada. It outlines the arrangement by which Alcan will proceed immediately with a multi-million-dollar feasibility study for a world-scale smelter in Manitoba.

This is a major step forward in this Government's program to broaden the industrial base of the Province, and provide more opportunities for Manitobans.

I should point out that Alcan already has conducted a $500,000 pre-feasibility study. The company, which has its head office in Montreal with aluminum operations in many other parts of the world, was so heartened by the results of this first study that it now will undertake a full-scale feasibility study which will cost it a minimum of $5 million.

If, as we expect, this in-depth study leads to a decision to build a $500 million plus aluminum smelter in Manitoba, it would be Alcan's first inland smelter and will trigger further expenditures of more than $500 million toward new generating facilities.

What has attracted Alcan to Manitoba is the fact this Province offers an abundant supply of stable priced hydro power from our northern river systems.

This is a crucial factor in the production of aluminum. There is no other major industrial process which needs as great a quantity of electric energy per unit of production as this metal. Alcan has informed us that the size of smelter it would like to build in Manitoba — a facility with an annual production capacity of 200,000 metric tonnes of aluminum — would require nearly 400,000 kilowatts of firm power 24 hours a day. This would make Alcan the largest single consumer of power in the Province.

In the Letter of Intent signed at noon today by myself, on behalf of the Government, and Mr. Patrick Rich, President of the Aluminum Company of Canada, there is a special provision dealing with the supply of power to this proposed smelter.

This calls for Alcan to negotiate with the Province and Manitoba Hydro arrangements whereby Alcan will acquire a minority ownership interest in a hydro power station. This will establish for the company a firm power base for its smelter. For its part, Alcan will assume its full share of the cost of such a power station, including construction costs, interest and other expenditures.

The company also will be granted water rights by the Manitoba Government as a participant with Manitoba Hydro in a Joint Venture Agreement covering this power station project. Alcan will pay water rentals and other charges for this consideration.

This joint venture approach on the one hand provides Alcan with an assured supply of power at a predictable cost and on the other provides cost savings to Manitoba Hydro ratepayers. Since the costs of new development on the Nelson River would be high and produce power rates well above what the ratepayers in Manitoba are now paying, the proposed arrangement with Alcan, involving capital input by the company into hydro construction, can best ensure that our system rates be kept as low as possible.

Mr. Speaker, I should emphasize that Alcan has a declared policy of refusing to apply for any special grants or subsidies in Canada and has therefore not made any requests to the Manitoba Government of this nature.

The company will be opening an office in Winnipeg from which it will conduct a wide range of detailed studies — covering such areas as engineering, transportation, power supply, environmental issues, labor supply and the most suitable site for the plant. The intention is to establish the smelter within roughly 50 miles of Winnipeg and the company is talking in terms of about four square miles of land required.

The proposed smelter would take about four years to construct, this work involving an average of about 600 jobs per year. The smelter itself, because it will be a 24-hour operation, will require a payroll of about 700 employees.

There will be a great number of economic spin-off benefits from an industrial enterprise of this size. What is encouraging to this Government is the fact that Manitoba's distance from ocean ports, which will be used to take in raw materials from overseas, is not a decisive disadvantage. Alcan has indicated that this economic factor appears to be counter-balanced by, above all, our secure supply of hydro-electric power.

We are confident that Alcan, within the next year or so, will have weighed all the factors and on completion of this detailed feasibility study will undertake construction of a world-scale smelter in Manitoba.

Letter of Intent

Made this 20th day of April 1981, by
and

BETWEEN:	Her Majesty the Queen in Right of the Province of Manitoba (hereafter referred to as "Manitoba")
AND:	Aluminum Company of Canada, Limited (hereafter referred to as "Alcan: Canada")

WHEREAS Manitoba wishes to optimize the use of its natural resources for the benefit of its citizens; and

WHEREAS Manitoba's endowment of undeveloped hydro-electric resources is capable of providing adequately for the future domestic requirements of its citizens and furthermore for enhanced industrial activity and increased employment within the Province; and

WHEREAS Alcan: Canada is considering the possibility of establishing an aluminum production facility in the Province (herein the "Facility"); and, with the encouragement of the Government of Manitoba, has authorized preliminary studies on the economics of the Facility designed to produce aluminum mainly for export; and

WHEREAS Alcan: Canada has stated to Manitoba that due to its particularly high dependence on export markets with the attendant risks, and because of the high initial capital investment for aluminum production facilities in Canada, the extended logistics of Manitoba for raw and finished materials and varying exchange rates and duties, before Alcan: Canada could agree to establish the Facility, it would require a long term secure and cost effective power supply through a minority undivided ownership interest in a power station (the "Power Station"); and

WHEREAS Alcan: Canada has stated that it will undertake at its sole cost detailed studies towards establishing the Facility in a manner that will comply with Manitoba Acts and Regulations, meet municipal requirements, satisfy environmental protection requirements and assist in the broadening of the industrial base in Manitoba (the "Feasibility Study"); and

WHEREAS Manitoba has stated that it will use its best efforts to advise Alcan:Canada of the pertinent Manitoba Acts and Regulations; and

WHEREAS Alcan:Canada has stated that no special grants or subsidies would be sought by Alcan:Canada from or through Manitoba or municipal governments toward the establishment and maintenance of the Facility; and

WHEREAS Manitoba has stated to Alcan:Canada that, prior to the establishment of the Facility, it will present to the Legislature for its approval such appropriate legislation to be enacted as may be required to enable Alcan:Canada to enter into and conclude the arrangements herein referred to with Manitoba Hydro;

NOW THEREFORE, in consideration of the premises:

I. Alcan:Canada will at its sole cost and expense, estimated by Alcan:Canada at approximately $5,000,000 commence forthwith the Feasibility Study and to carry the same through to completion and provide Manitoba with a copy thereof when completed. Alcan:Canada will undertake environmental studies and participate in public hearings thereon, in advance if necessary, of the completion of the Feasibility Study.

II. The parties intend the following:

1. If, within ninety days after a copy of the Feasibility Study has been provided to Manitoba, Alcan:Canada and Manitoba give written notice to each other outlining their respective desire to proceed with the establishment of the Facility, then and in such event, Manitoba and Alcan:Canada will enter into an agreement (the "Main Agreement") setting out the terms and conditions under and by virtue of which an industrial development for the production of aluminum will take place in the Province.

2. The Main Agreement will, among other things, provide that all agreements with any party referred to therein shall be subject to the written approval of Manitoba including:

   a) an agreement with Manitoba Hydro with respect to a joint venture and certain related agreements (the "Joint Venture Agreement"); and

   b) certain agreements with Manitoba municipalities with respect to Manitoba municipal taxation and services.

3. The Main Agreement and the Joint Venture Agreement will include provisions whereby:

   a) Alcan:Canada will acquire a minority undivided ownership interest in a Power Station to establish a firm power base for the Facility, and Alcan:Canada will assume its share of the cost of such Power Station including construction costs, interest and other expenditures and costs which may be properly identified and agreed to.

   b) Alcan:Canada and Manitoba Hydro will enter into an Operating and Maintenance Agreement for the future operation of the Power Station and, if the Power Station is not yet constructed, a Construction Agreement, as well as a Bridging Power Contract.

   c) Alcan:Canada, by virtue of its minority undivided ownership interest,

will be granted a water licence for 35 years with renewal provisions for further terms of 15 years each, and will pay water rentals and other charges in amounts to be agreed to.

d) The hydro-electric power produced by the Power Station will be apportioned between Manitoba Hydro and Alcan:Canada as provided for in the Joint Venture Agreement.

e) Transmission of hydro-electric power produced by the Power Station will be as provided for in the Joint Venture Agreement.

f) Alcan:Canada will receive hydro-electric power as may be available and required for its sole use related to the production of aluminum at the Facility and shall, throughout the course of the Joint Venture Agreement, make available only to Manitoba Hydro any surplus power at agreed upon terms for the sole use of Manitoba Hydro and shall purchase at agreed upon terms from or through Manitoba Hydro any or all power available and required for operation of the Facility and not provided through the undivided ownership interest.

4. If by July 1, 1982, a mutually satisfactory Main Agreement and Joint Venture Agreement are not signed, either party may terminate this Letter of Intent upon written notice.

STATEMENT ON THE ECONOMIC SITUATION FROM FEDERAL-PROVINCIAL FINANCE MINISTERS' CONFERENCE DECEMBER, 1980

STATEMENT ON THE ECONOMIC SITUATION

HONOURABLE DONALD W. CRAIK
MINISTER OF FINANCE

Federal-Provincial Conference of Ministers of Finance and Provincial Treasurers
Ottawa, December 17, 1980

Mr. Chairman:

When we met last, you indicated that you were already very far along in your budget-making process and that, as a consequence, you had no choice but to be reticent about many matters, and had limited ability to respond in action to the concerns we were putting before you.

When we saw your budget, I think many of us were moved to wonder whether our efforts to consult with you had had any effect whatsoever.

And that does concern us. As I think the civil atmosphere at our last gathering showed, we place a very high value indeed on the relationship that should exist in the finance field between our two levels of government. But that relationship — and these consultations — must be more than ritual scenes that are played out before the Ottawa government announces its decisions.

What is at stake is the opportunity we enjoy to work in concert — to use the various economic levers our various governments control to reach agreed-on goals. And what is at stake is much more than revenues and questions of which government shall have which revenues and which shall bear which costs.

The matters we will discuss affect the education of our children, the health care available for our families, the help we jointly give to the destitute and disadvantaged. They affect the ability of individual Canadians to reach personal economic goals, of enterprises to grow and prosper, and of the country as a whole to achieve such major shared objectives as energy self-sufficiency.

As I believe my friends from the provinces to our west will point out, your budget — in our view and the view of many — contributed little positive to any of those real and underlying concerns and objectives. It concerned itself with revenues to the apparent exclusion of the realities within Canada that stand behind all of our efforts to raise revenues and all of the expenditures governments make. To call a revenue package an energy package does not change the fact that it is essentially a revenue package.

Manitoba, for one, is concerned about the increasing revenue pinch that your government has been experiencing. If you are to play the role you must play within Canada, that is a problem that must be addressed. But we wonder if transferring that pinch to other levels of government and to other Canadians can really be considered an acceptable solution.

In Manitoba's case, the new energy taxes and the increased UIC levies will take about $1 billion out of our economy over the next three years — exclusive of the nationalization tax. And in return, we will receive — according to your figures — $67 million in new energy spending from Ottawa over that period, the smallest per capita amount returned to any province. We will lose $1,000 per capita, and get back $67 per capita.

I know there has been talk of a development fund for Western Canada. But in Manitoba, we already have a number of major projects that, in our view, will be going ahead over the next number of months. To achieve those projects, and to maximize their benefits to Manitobans and to other Canadians, we need the continued help and support of DREE, we need the continued ability to provide essential services, we need some moderating of interest rates, we will need the economic co-operation of our sister provinces. And with those things — we can succeed in improving our own economy tremendously.

I would like to speak specifically to three Manitoba concerns as we begin this conference. The first is the fiscal arrangements.

We share what is I think the view of most provinces that the current arrangements have worked very well indeed. We understand the revenue difficulties your government faces, but we wonder if this is an area where you should properly seek to solve those difficulties.

There is a certain political attractiveness in it, I am sure, because the arrangements — being complex — are not well understood generally in the country. That being so, I suppose it would be possible to assume that you could withdraw from your agreed participation in these critical services almost invisibly: the only apparent effect would be in diminished services normally provided by provinces — for which provinces would be blamed, or in rising provincial deficits.

But I would hope we can persuade you that the fiscal arrangements are an embodiment of a phenomenon which is becoming increasingly rare in Canada — almost an endangered phenomenon. It was called, a few years ago, co-operative federalism. And especially in today's climate, I would suggest to you that we should cherish and seek to retain any areas of co-operation that continue to exist.

I think we can also assure you that Canadians will understand the fiscal arrangements, and how they translate into hospital beds and university classes and day care centres — or into a shortage of these things, depending upon the attitude your government brings to their re-negotiation.

The second matter of specific concern to Manitoba is the current high level of interest rates. And here we have three specific doubts about your current policy.

The first has to do with the mechanism you have adopted for the setting of interest rates. It did succeed, for awhile, in making interest rates politically invisible, but they are far from invisible today, and there is no escaping your responsibility for managing interest rates.

The second has to do with the argument that our rates must, of necessity, be high to protect the dollar. And in this regard, I would ask just how much of the dollar's weakness can be attributed to the differential with U.S. interest rates, and how much can be attributed to an international lack of confidence in Canada, arising very largely out of your government's oil pricing policies and out of the devastating effect on investment your last budget is having?

The third is simply to ask you whether, even assuming that generally high interest rates were needed to protect the dollar, they would be any less effective in that if your government were to take action to insulate residential mortgages and small businesses from the worst effects of such interest rates?

We have listened to the Governor of the Bank [of Canada], and we are not entirely convinced.

The final area I would like to mention in this opening statement is the development of greater economic co-operation among the governments and regions of Canada.

As you know, our Premiers agreed that the Ministers of Finance and of Economic Development of the ten provinces should meet to examine opportunities for greater co-operation in research and development, public procurement and in capital projects. At our last meeting, we raised this matter with you and invited you and your colleagues in the economic development areas to take part.

We have now received agreement in principle from the majority of the provinces to hold this meeting, as our Premiers agreed, and to begin to work to build the more co-operative relationships we believe are needed. We would like to set a date early in the new year and we again invite you and your colleagues to take part. The potential for co-operation is massive. I can think of few clearer examples than the recent agreement between Ontario and British Columbia for the supply of transit vehicles — using technology developed in Ontario, and produced with appropriate offsets and industrial

benefits to British Columbia. That agreement will contribute to the economic strength of both provinces, and to the unity of our country.

One last small point Mr. Minister — but a point that is important to Manitoba and which, in my view, underlines the need for consultation.

We understand you are contemplating some revisions in the tax collection system, limiting the ways in which the system can be used. You and I met earlier this year and you were able to agree to permit us to vary the way in which we use the system, in order to make our tax credits more reflective of real need, and to permit us to redirect funds to a number of other important reforms — including expanded day care, and an income support program for low income and single parent families with children. At that time, we were both familiar with the arguments of administrative convenience against what we were trying to do, but we were both persuaded that the value of the changes we were making was rather greater than that.

As we understand the new changes you are proposing, they would make it impossible for Manitoba, for example, to offer the kinds of incentives for investment in Manitoba small businesses that are currently offered by both Ontario and Quebec, who do not rely on your services as we do. I am sure that is not a main part of your intent in proposing these changes, but from our standpoint, it is an unsettling part of the result. I hope this can be re-considered.

If we can work together, using the various levers we each control within the economy, we can do a great deal of good for Canada.

And that is what I hope we can strive to do at this meeting. Goodness knows there has been little enough of working together in Canada these last months.

THE FISCAL ARRANGEMENTS:

THE GENERAL CONCERNS OF THE

WESTERN PROVINCES

DECEMBER 17, 1980

THE FISCAL ARRANGEMENTS:
THE GENERAL CONCERNS OF THE WESTERN PROVINCES

A Consensus Statement Presented On Behalf Of
British Columbia, Alberta, Saskatchewan and Manitoba

By

HONOURABLE DONALD W. CRAIK
MINISTER OF FINANCE
GOVERNMENT OF MANITOBA

Ottawa: December 17, 1980

Mr. Chairman:

In 1976, a set of common positions on the fiscal arrangements developed by the provinces had an important and positive influence on federal-provincial negotiations that year.

With that in mind, the Western Premiers agreed . . . at their last Conference in Lethbridge this spring . . . that our four provinces should once again work together to review current fiscal arrangements issues and to determine areas in which we might, once more, be able to make a joint contribution to the next round of negotiations.

My colleagues and I have discussed these issues and I have been asked, on their behalf, to outline a number of the major concerns we share as we enter a year of intensive discussions with you and with our colleagues from the other provinces.

You may recall . . . Mr. Chairman . . . that in their joint position statement on federal-provincial financial arrangements in December, 1976, all ten provinces described these programs as "the hallmark of fiscal federalism for the past thirty years" . . . and went on to emphasize that "the results of our joint endeavours to reach a comprehensive and acceptable financial arrangement are pivotal for the future direction of Canadian federalism." I can advise you that the western provinces continue to hold these views as negotiations on revisions to these important arrangements begin once again. We believe that the primary objective of all parties in the upcoming negotiations should be to build up and improve our current arrangements — not tear down the underlying financial framework of our Confederation. For

this reason, we are particularly concerned about the specific plans you and your colleagues are considering to give effect to the statement of intent, in your October 28th budget, to "achieve significant savings" in transfers to the provinces.

Mr. Chairman . . . the western provinces are aware of your government's stated concerns about the size of your budgetary deficit . . . and we are on record as sharing those concerns. Clearly, action to reduce the federal deficit is essential, but such action should not simply involve a shift in tax burdens to provinces and municipalities. It is important to emphasize that the same taxpayers support all levels of government, and federal efforts to offload obligations onto other levels will not reduce overall tax burdens.

The western provinces continue to be willing to co-operate with the Government of Canada in efforts to improve the current set of fiscal arrangements and other transfers. We want to emphasize, however, that we are reasonably satisfied with the principles underlying those arrangements as they now stand . . . although we have concerns about the continuing adequacy of future funding levels in light of inflationary pressures on health, higher education and other programs.

Our provinces do not see the need for immediate large-scale modifications to these programs and we see no justification for federal reductions. We believe the current arrangements offer both levels of government important advantages, compared to other alternatives, in terms of both flexibility and budgetary predictability.

In this connection, we note that federal budget forecasts indicate that the established programs financing transfers for health and post-secondary education, and Canada Assistance Plan transfers for social services and social assistance, would grow at a lower rate than overall federal outlays over the next three years even if no changes were made in those programs, and that equalization payments would grow at a rate which is just slightly higher. Therefore, these transfers cannot be argued to represent a more significant source of pressure on the federal budget than a wide variety of other federal expenditure obligations with a lower priority.

The western provinces are concerned that federal proposals for restructuring fiscal arrangements with the provinces may be motivated not by a desire to improve program quality but by a desire to increase the intrusions of the federal government in other areas of provincial affairs.

Only fifteen months remain before the current set of fiscal arrangements expire. For this reason . . . the western provinces believe it is essential that the federal government clarify its intentions by tabling any specific program

modification proposals it may have as soon as possible . . . and by giving all provinces a commitment that it is prepared to engage in genuine consultation in an attempt to prevent negotiation by confrontation — which has marked recent constitutional and energy discussions.

We believe that the best way of starting such a process would be to agree here, today, to hold a special Conference of Finance Ministers on the Fiscal Arrangements no later than mid-February to begin discussing specific federal proposals for the future of these important programs.

That is not to say . . . Mr. Chairman . . . that we would not be prepared to begin to discuss specifics today, if you are able to give us some insight into the kind of proposals you will be putting forward.

I know that my colleagues from the other western provinces will want to add to what I have already said. I hope that you have found these initial comments helpful and constructive.

Statements and Communiques from The Twenty-First Annual Premiers' Conference Winnipeg, Manitoba August 20-24, 1980

OPENING STATEMENT:

PREMIER STERLING LYON, CHAIRMAN, TWENTY-FIRST ANNUAL PREMIERS' CONFERENCE

I would like to welcome you all to Winnipeg and to Manitoba. I hope this 21st Conference of Premiers will be productive.

But I believe it is important to begin with an understanding that this is not a conference like the others we and our predecessors have held in the past.

This conference is taking place amidst growing indications that the federal government is preparing to take unilateral action to make fundamental changes in the roles the various governments of Canada play within our Confederation.

Our friends from Saskatchewan will be providing us with a report on the progress that has been made to date in the continuing constitutional discussions. In our view, the relative inflexibility of the federal government is one of the main reasons that progress has been limited.

But I would hope that, in any event, in our communique at the end of this conference, we could re-state our joint determination to continue with the process as long as there appears to be a reasonable chance of reaching agreement on key issues.

I would hope, as well, that we could make it clear that, in the view of the ten Premiers gathered here, the September First Ministers' Conference, while important, is not the make-or-break meeting for this process of constitutional renewal. While we agree that an early resolution of these important questions is desirable, we have agreed to no deadlines for this process.

But in this opening statement I would like to say a few words specifically about the federal government's proposals concerning "Powers Over the Economy" which were injected into our constitutional discussions earlier this summer.

The proposed amendments to Sections 121 and 91(2) of the BNA Act would appear to have the potential to overthrow many existing and legitimate provincial programs and policies designed to reach economic and other objectives. As both Saskatchewan and Quebec have pointed out capably in the responses they have already prepared to these federal proposals, they amount to a fundamental reduction in the ability of the provinces to guide or to influence events within their jurisdictions.

Let me state my understanding of the position of most provinces with respect to powers over the economy: we believe in a strong central government, and we see a clear role and responsibility for the federal government in co-ordinating economic development efforts throughout Canada; we would have liked to have seen rather more leadership from the federal government in this area than we have seen.

But we believe as well that it is essential for provinces to retain the authority that is theirs by constitutional mandate — to guide and influence the events that affect them — not simply to build up our individual provinces or regions — but to be able, in co-operation with the federal government, to achieve a kind of nationwide economic growth that will both reflect, and respect, the particular aspirations and potentials of every part of Canada.

Based on that general position with respect to powers over the economy, I would hope that, at this conference, we could respond to the federal proposals — not simply with constitutional arguments — but also with an agreement to begin to co-operate more broadly in matters of economic development than we have perhaps done in the past.

The beginnings of that kind of co-operation already exist, in the process that we in Western Canada and our colleagues in Atlantic Canada, have gone through over the past number of years as we have worked to evolve patterns and habits of co-operation within our regions.

I would hope that, at this conference, we can agree to begin to extend that kind of conscientious effort to co-operate in economic development among, as well as within, the various regions of Canada.

We know this kind of co-operation can work.

The Western Power Grid currently under study, which will assure the Western Provinces of greater security and economy of electrical supply, and which is one of the keys to the development of our own hydro resources here in Manitoba, is one of the most important fruits of this co-operation. The efforts that are being made in Atlantic Canada to rationalize post-secondary education are already permitting the Maritime Provinces to use their resources more effectively to meet the educational requirements of their youngsters.

And there are real opportunities for benefits to all parts of Canada if we are able to extend that habit of co-operation to involve all provinces and regions, and the federal government.

Among the obvious opportunities that exist, I would suggest the following are promising areas for co-operation among the provinces:

— public procurement — the procurement policies of all governments, including the federal government, are a potent instrument of economic development; it makes plain good economic sense to work to harmonize our policies to permit us to bring the total weight of our total market to bear on identified and agreed opportunities;

— the mega-projects — the major capital projects that are being undertaken in Canada already return tremendous benefits to all parts of this country; by closer and more conscientious efforts to co-operate, I believe we can significantly increase those benefits, both in terms of the contribution they can make to international competitive ability of our basic industries, and to the diversification of our economies all over Canada;

— research and development — many of us are involved in supporting specific research and development activities; by co-operating we can avoid duplication and use our resources more effectively.

I would hope, as well, that we could more effectively co-ordinate our strategies to attract investment so as to avoid situations where provinces may compete in a destructive, beggar-thy-neighbour way.

And I would suggest to you that an effective action to take advantage of those opportunities and to begin to evolve the habit of co-operation is the best answer we can give to the federal proposals regarding powers over the economy, because it will demonstrate that our current distribution of economic authority can work effectively, not just in the provincial or regional, but in the Canadian public interest.

The question I hope we can address is: how do we go about developing that habit of co-operation in economic development?

As a first step, could we not agree that our Ministers of Finance and of Economic Development will meet here in Winnipeg on a date to be agreed during the month of October? I suggest both ministers because of the differences that exist among provinces in the assignment of responsibilities for economic development.

Such a meeting can permit us to gain a greater understanding of the strategies and priorities of the various provinces. I think most of us would admit that we have little detailed understanding of the economic development strategies of provinces outside our own regions.

The meeting could begin to develop methods of co-operating in public procurement, in our approaches to the mega-projects, and research and development.

And because we believe the federal government has a major and legitimate role to play in fostering and supporting this kind of co-operation, I would hope the conference could agree that federal ministers should participate in at least a part of the meeting.

This step I am suggesting is a natural evolution out of the region-building we have been involved in. It is consistent with the broad use Alberta has made of its Heritage Fund moneys in supporting developments in other parts of Canada. It parallels closely the suggestions which have been made by the Premier of British Columbia. And it is consistent with Ontario's recent initiative in establishing a program of inter-provincial co-operation to take advantage of opportunities in the medical and health care products industries.

I would hope that initiative could become a prototype for similar co-operative exercises in other industries.

I am not suggesting that it is possible, or even desirable, to remove all of those things the federal government has characterized as "barriers to trade." Such so-called barriers can be a critical element in public policies with respect to infant industries. Other so-called barriers, such as regulations regarding land ownership, are needed, from time to time, to achieve both cultural and economic objectives.

But in many cases, I believe we can find better and more co-operative ways of doing things. It is not practical or desirable to make so-called barriers to trade illegal. But working together, I believe we can make many of them obsolete.

I look forward to hearing your views on this possibility I have been discussing when we discuss the "Powers Over the Economy" item on our agenda.

And now, I suggest we move to the first item on our agenda, and receive the report from Saskatchewan on the progress in the continuing discussions.

STATEMENT ON THE ECONOMY

BY PREMIER STERLING LYON

We come now to the second item on our agenda: The Economy.

I think we are all in agreement that, although the economy is second on the agenda, it cannot be considered as second in importance — especially in view of the fact that all the current indications are that Canada's overall economic performance this year will be the worst in a quarter century.

In our discussions under the "Powers Over the Economy" portion of the constitutional negotiations we have already touched on some of the ways in which we can work more effectively together in economic development matters.

But in more general terms, I think we can agree on the need for clear federal leadership in efforts to respond to our economic problems. But we have not seen such leadership during these past months.

The process of constitutional renewal is important, but I would hope that one of the messages this conference could send quite clearly to the federal government is that, in our unanimous view, effective action to address our economic problems is as important, and should be treated as such by the federal authority.

And there are two trends that I find disturbing.

First — the momentum for improved federal-provincial consultation on fiscal and economic matters, which grew, in large part out of the First Ministers' Conferences on the Economy in February and November of 1978, has virtually died. I think we must work to recapture that momentum.

Secondly — we have found that even in such obvious areas for federal-provincial consultation and co-operation as the drought assistance initiatives that were required in Manitoba this year, the federal government is unwilling to consult or to co-operate. We can't afford that.

I believe that, working together, the federal and provincial governments have a reasonable chance of meeting the economic challenges of the 1980's. Working apart — and at cross-purposes — we have virtually no chance at all.

I hope we can agree to call upon the Prime Minister to re-affirm his government's commitment to a process of genuine and systematic consultation on economic matters with the provinces, and to convene a First Ministers' Conference on the Economy as soon as practical.

We should ask, as well, for a Finance Ministers' meeting to permit for real consultation as an integral part of the process whereby the federal government prepares its first full-scale budget this fall. I am not suggesting that the provinces should exercise a veto over the federal budgetary process, but there are clear implications — and differing implications for various regions — of virtually any options available to the federal government, and this kind of consultation is the best means to assure that these are fully recognized and taken into account.

We have some specific concerns.

Many of us are deeply concerned about the possibility of the imposition of export taxes on energy and other resources by the federal government. Such taxes would make little sense economically and would interfere with our ability to reach the objective of energy self-sufficiency.

We are concerned, as well, that any significant general tax increase by the federal government cannot help but have implications for our overall investment climate, at a time of already high unemployment, and during a period when, because of the concessions made under the GATT Agreement, our manufacturing industries in particular will require very substantial new investment in order to become truly world-competitive.

But obviously, we must have longer term concerns than simply the new federal budget, and fiscal policy options for 1981/82. We must look — during this conference and at the next First Ministers' Conference on the Economy — at the key elements that should make up coherent national economic strategies.

Several suggestions for such elements were put forward by the Western Premiers at our last conference in Lethbridge, as a basis for discussion with the federal government and the other provinces. These included:

- a realistic energy-pricing policy to achieve energy self-sufficiency;
- approval of further natural gas exports, subject to assurances concerning long-term Canadian needs;
- incentives to encourage increased Canadian investment in Canada;
- rigorous efforts to reduce the size of federal deficit and to achieve budget balance over the economic cycle.

I believe these suggestions continue to represent a useful contribution to the process of joint policy development.

We must face, as well, the fact that current forecasts suggest that we are now into a period of two, and possibly three consecutive years of double-digit inflation. A great deal of the inflationary pressure that is affecting us is imported. Some of that pressure is the unavoidable result of absolutely essential energy price adjustments. But these things make it even more important that governments do everything within their power to ensure that their own actions do not further aggravate the problem, and to encourage responsible behaviour by others within the economy.

In recent weeks, we have seen some disturbing statistics — not only on the Consumer Price Index side — but on the pattern of wage settlements as well. I believe Premier Lougheed will be dealing with some related matters later in our discussions of this item.

We must concern ourselves as well with labour supply, particularly with the shortages of skilled labour that are affecting, to a greater or lesser degree, virtually every region and every industry in Canada.

We must concern ourselves with productivity, particularly in the more competitive environment that flows from the GATT agreements.

We must be concerned with transportation, including grain handling. We must address questions related to the renegotiation of the fiscal arrangements as well.

In none of these critical areas can effective solutions be devised or carried out except through nationwide co-operation and consultation involving all governments. We are not arguing that the provincial answer is better than the federal answer. We are saying very clearly that neither of us, acting alone or at cross-purposes with the other, are capable of any acceptable answer at all.

It is important that we re-establish the process of federal-provincial consultation on economic matters as soon as possible. It is important that we take the kind of joint actions we discussed earlier — co-operating with each other and with the federal government.

And it is important that we consult more effectively together, as well as with the federal government, on such key and timely matters as the DREE General Development Agreements that will require renegotiation before 1984, the fiscal arrangements, the impact on provinces of major demographic shifts which face us all with similar problems on the education and social services sides.

I would suggest that we consider early and regular meetings among our Ministers of Finance to address these and other matters of mutual concern. And clearly, we should make it clear that we would welcome federal participation in discussions. There are significant potential gains for all of our provinces from co-ordinating our programs and policies more effectively and, to the extent that we are able to do that, it will make the federal government's overall responsibilities in the economic field that much easier to carry out.

But I think we must begin with a deliberate effort to assure that economic concerns are accorded the importance they merit, and to recapture the momentum towards greater consultation and co-ordination that existed in 1978.

I will be interested in hearing the views of other provinces on these suggestions.

TWENTY-FIRST ANNUAL PREMIERS' CONFERENCE
AUGUST 20 — 24, 1980
COMMUNIQUE ON THE CONSTITUTION

At their meeting in Winnipeg, today, the ten provincial Premiers received a status report on the July federal-provincial constitutional talks from the provincial co-chairman of the Continuing Committee of Ministers on the Constitution, the Honourable Roy Romanow, of Saskatchewan.

The Premiers reviewed the progress made to date on the twelve items under discussion, the process of constitutional reform, and considered the prospects for agreement at next month's First Ministers' Conference on the Constitution.

In the course of their discussions, the Premiers thought it appropriate at this time to re-state a number of fundamental principles. To that end, the Premiers affirmed:

— that constitutional reform must be accomplished in a way which strengthens the fabric of Canadian life: and that requires that provinces, as the original components of the federal system, and whose governments in the vast diversity of Canada, are closer to the people, be not weakened but reinforced. That is the only way to unify and not divide. For instance, any policy of changing the constitutional areas of economic concern should be done only with the consensus of governments affected. In this respect, the Premiers committed themselves to the development of a consultative forum such as an intergovernmental committee of Finance and Economic Development Ministers that would allow them to work co-operatively for the development of their own provincial economies, not just in the provincial, but in the public interest of Canada as a whole;

— that constitutional reform must address key issues of concern to all governments. It must result in a package of changes that, taken together, accommodates the legitimate interests of all parts of the country;

— that they believe in a federation where both the federal and provincial governments are strong and viable. In the constitutional process, therefore, it is necessary for governments to agree upon a distribution of authority which will allow both the federal government and the provincial governments to fulfill their responsibilities effectively;

— that, while they do not view Canada becoming a loose association of provinces, neither do they view Canada as developing into an over-centralized state with all power gravitating to the central government;

— that, as full and equal partners in the process of constitutional change, provincial governments are firmly committed to the renewal of the Canadian federation.

Addressing themselves more specifically to the talks at hand, the Premiers agreed:

— the division of powers is the key issue in constitutional reform, and should be addressed in conjunction with other matters;

— discussions on constitutional reform cannot be compartmentalized into artificial divisions. Institutional and jurisdictional problems interact in such a way that they must be considered together;

— to recognize a number of specific principles, including:

* protecting basic human and democratic rights by the most appropriate means;
* the need to ensure the basic elements of an economic union compatible with the other important objectives of governments;
* the need to enable governments at all levels to pursue innovative policies for the betterment of all Canadians;
* to continue and expand as desired, measures to alleviate regional disparities in Canada and to ensure a comparable level of public services to all Canadians;

— the need to recognize that the ability of provincial governments to use natural resources to stabilize provincial economies is vital to the well-being of the people of their provinces;

— the need to honour the commitments made to the people of Quebec that there will be constitutional changes to meet their aspirations.

It is in this spirit that Premiers will approach next month's First Ministers' Conference. Premiers are committed to continue the negotiations without any artificial deadlines and to pursue constitutional discussions to a successful conclusion.

TWENTY-FIRST ANNUAL PREMIERS' CONFERENCE

AUGUST 20 — 24, 1980

COMMUNIQUE ON THE ECONOMY

Following a detailed review of national and regional economic conditions and the outlook for 1981, the provincial Premiers agreed unanimously on the need for a more effective, co-operative approach by senior governments to the challenges facing the Canadian economy.

They emphasized that the process of constitutional reform, while extremely important, must not be allowed to interfere with or detract from the concerted effort necessary to respond to current economic problems. Two specific thrusts were identified as being essential to support this effort.

1. They agreed that there must be an immediate renewal of the process of federal-provincial consultation on fiscal and economic matters, including a conference of Finance Ministers prior to the federal budget, and a full-scale First Ministers' Conference on the Economy at the earliest opportunity later this year.
2. The Premiers also directed their Ministers of Finance and Economic Development to meet at an early date, with the objective of improving the co-ordination and harmonization of provincial economic development policies and strengthening the operation of the Canadian economic union. Federal Ministers will be invited to participate.

The Premiers stressed that realization of the opportunities open to Canada in the next several years will require complementary, carefully planned responses by both levels of government, and that it is essential for new efforts to ensure the most effective possible working partnership.

The Current Economic Situation

While all Premiers stated their governments' concerns about Canada's economic performance in 1980, they noted that moderate recovery is forecast for 1981, and that prospects continue to be positive for the medium and long term, given the underlying potential strengths and advantages which the Canadian economy enjoys.

However, they stressed that the realization of Canada's potential in the years ahead will depend, to a significant degree, on the public policy environment established at the national and provincial levels.

The Premiers also believed it is imperative that the federal government recognize the key role of the provinces in strengthening, and adding greater balance to provincial economies.

The Need for Renewed Federal-Provincial Consultation

The Premiers recalled the valuable results of the 1978 First Ministers' Conferences on the Economy, including the set of fiscal and economic policy guidelines which had been agreed to by all eleven governments. They stated that it was essential to re-establish the kind of effective, ongoing consultative process which was required to refine and strengthen those guidelines.

The Premiers agreed that a Finance Ministers' Conference should take place in advance of the federal budget in light of growing apprehension about some of the fiscal options the federal government appears to be considering.

The Premiers noted that it had been almost two years since the First Ministers last met to discuss general economic policy concerns. The Premiers agreed that the guidelines established at their February, 1978 Conference and reaffirmed at the follow-up Conference in November, 1978, should be the starting point for discussion at the next First Ministers' Conference.

Other major topics suggested for the conference agenda were:

- current economic problems, including inflation, interest rates, and budgetary and balance of payments deficits;
- employment with emphasis on provincial and regional concerns;
- productivity, and research and development;
- housing;
- marketing of agricultural products;
- transportation;
- automotive industry; and
- regional and provincial development issues.

The Premiers noted, as they did at their 1979 Conference in Quebec, that to be of maximum value, a First Ministers' Conference on the Economy should be preceded by substantial joint preparation.

TWENTY-FIRST ANNUAL PREMIERS' CONFERENCE

AUGUST 20 — 24, 1980

COMMUNIQUE ON ENERGY

The Premiers, other than Ontario, at their Annual Conference in Winnipeg, registered their opposition to any federal tax on the export of provincially-owned resources including electricity. These provinces view such a tax as a direct attack upon provincial proprietary rights over resources as provided for in the Canadian constitution.

Noting Canada's potential to be self-sufficient in all forms of energy, all Premiers emphasized that vigorous action is required to realize this potential. They reaffirmed the view expressed at the Annual Premiers' Conference at Pointe-au-Pic, Quebec, August 15-18, 1979:

> The Premiers expressed their unanimous support for the development of new energy sources, based on the existence of a rich and varying potential throughout Canada (oil, natural gas, and coal, hydro electricity, tidal power, oil sands and heavy oils, new forms of energy, frontier resources).

The Premiers also noted that, to cover the decline in conventional oil production, it is clearly in the country's urgent interest to stimulate the rapid development of such projects. These projects are important to Canada's future in that they will not only reduce Canadian dependence on imported oil but will create substantial indirect economic benefits, resulting in thousands of jobs for every region in Canada.

They encouraged the attainment of energy self-sufficiency by promoting conservation, by encouraging substitution where practical and well adapted to provincial circumstances, and by reducing the present steep decline in domestic crude oil production.

The Premiers, other than Ontario, agreed that the price of the depleting reserves of Canadian oil should rise in stages to more adequately reflect the value of the resource but with the proviso that such price should consistently allow for a significant and substantial benefit to Canadian consumers and manufacturers in comparison with American consumers and manufacturers.

To recognize the special circumstance of those Atlantic Provinces currently required to use imported oil to generate electricity, all Premiers agreed that federal energy policy should cushion such increased costs for a transitional period.

TWENTY-FIRST ANNUAL PREMIERS' CONFERENCE

AUGUST 20 — 24, 1980

COMMUNIQUE ON INTERPROVINCIAL TRUCKING RECIPROCITY AGREEMENT

At the Twenty-first Annual Premiers' Conference in Winnipeg, Premiers announced that the first phase of the reciprocity agreement made by the provinces to govern vehicle licences and fees of Canadian trucking companies operating interprovincially would come into effect commencing April, 1981. This agreement will be signed by the Ministers of Transportation in September, 1980.

Reporting progress, the provincial Premiers noted that this agreement, reached through the efforts of the Canadian Conference of Motor Transport Administrators, represents the first step in achieving uniform procedures for motor carriers throughout Canada. They stressed that this was one example of provincial co-operation to harmonize an area of provincial economic policy and thereby enhance the operation of Canada's free common market.

The Premiers instructed the Working Committee of the CCMTA to continue their efforts to achieve total reciprocity by submitting their recommendations on Uniform Weights and Dimensions of Vehicles. This will be followed by the third phase which will develop recommendations on Shipment Documentation and other matters resulting in greater uniformity.

The first phase of the reciprocity agreement will, like the remaining phases, reduce both costs and paperwork for the motor carrier industry and result in savings to the consumers.

Communiques

WESTERN PREMIERS' CONFERENCE ~1981

Thompson, Manitoba
April 28-29, 1981

COMMUNIQUE ON STATE OF FEDERAL-PROVINCIAL RELATIONS

In their consideration of the state of federal-provincial relations, the four Western Premiers, meeting in Thompson, Manitoba, were united in their concern over heightened tensions in Canada, particularly the growing sense of alienation in the West.

Abandoning the spirit of co-operative federalism, Ottawa has adopted an approach of division and confrontation in its dealings with provincial governments.

The Western Premiers asserted that the federal constitutional proposal is the most visible example of this new federal government attitude and is the most flagrant denial of the spirit of Canadian federalism. The Federal Government's resolution on the constitution flouts Canadian traditions by its unilateral nature and by its encroachment upon provincial jurisdiction. The Premiers believe strongly that the basic law of Canada, its Constitution, cannot and should not be altered in the face of the overwhelming opposition which exists in every part of the country. They emphasized that the eight Premiers, in their historic meeting in Ottawa on April 16th, committed themselves to an alternate route to patriation, in accord with established conventions, which would have all amendments made in Canada by Canadians after patriation.

The Premiers continued to subscribe to the view that the best way to resolve this issue is through negotiation at the Conference Table. Referring to Premier Lyon's telex of April 27th to the Prime Minister on behalf of the eight Premiers, the Western Premiers again urged the Prime Minister to return to the negotiating table prior to the decision of the Supreme Court of Canada, to work with them, in the Canadian way and in a spirit of compromise, to find a solution to Canada's constitutional crisis.

On other issues, Premiers noted with regret the Federal Government's approach of division and confrontation in the areas of the energy field, federal-provincial fiscal arrangements and cost-sharing, and the new RCMP contract with the provinces. In these and other areas of dispute and discussion, all governments must commit themselves to a genuine search for solutions in a spirit of co-operation and goodwill.

The Premiers emphasized that Canadians want not acrimony but harmony. They want all governments to work together to resolve the many problems facing the nation today. These problems can be solved through co-operation and compromise. The mechanisms for working together exist and the four Western Premiers, for their part, reaffirmed their commitment to the spirit which will enable those mechanisms to function properly.

COMMUNIQUE ON WESTERN PREMIERS' TASK FORCE ON CONSTITUTIONAL TRENDS

Western Premiers, meeting today in Thompson, Manitoba, directed their Task Force on Constitutional Trends to continue its work on federal-provincial jurisdictional issues.

The Task Force was established in 1976 to monitor federal intrusions into areas of provincial jurisdiction. The Task Force has submitted three reports identifying areas of federal constitutional intrusion and federal-provincial friction. Until recent unilateral action by the federal government on the Constitution, the Task Force had been effective in sensitizing the federal government to western provincial concerns.

Ministers on the Task Force are the Honourable Garde Gardom, British Columbia Minister of Intergovernmental Relations, Chairman; The Honourable Dick Johnston, Alberta Minister of Federal and Intergovernmental Affairs; The Honourable Roy Romanow, Saskatchewan Minister of Intergovernmental Affairs; and The Honourable Gerald Mercier, Manitoba Attorney-General.

The Third Report was forwarded to Prime Minister Trudeau in 1979 and again last year by Premier Bennett of British Columbia on behalf of the Western Premiers. In his letter of April 22, 1980 to Prime Minister Trudeau, Premier Bennett urged the federal government to respond to the Task Force Report at an early date so that the process of federal-provincial conflict resolution and prevention set in motion by the earlier work of the Task Force could continue without delay. Little progress has been achieved since that time.

Rather, what we have seen in the past year is a heightening of federal-provincial conflict, and constitutional initiatives by the federal government which are contrary to the spirit of co-operative federalism.

The Western Premiers reaffirmed the need to continue the work of the Task Force.

COMMUNIQUE ON THE FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

The Federal-Provincial Fiscal Arrangements cover the Equalization Program, federal funding for medical care, hospitals, universities and technical schools, other extended health care programs, and the tax collection arrangements.

At the present time, as a result of arrangements introduced in 1977, the Federal Government provides money to all provinces to assist in the provision of these fundamentally important health, education and other public services.

During the last round of fiscal arrangements negotiations in 1976, a com-

mon western position was developed at the Western Premiers' Conference in Medicine Hat which had an important, positive influence on the outcome of the following interprovincial and federal-provincial discussions.

The Premiers stated that they believe the arrangements worked out and put into effect in 1977 have served Canada well and that no major changes are needed.

As was the case five years ago, the western provinces have co-operated fully in the current set of Fiscal Arrangements negotiations by working out and presenting a joint position on the Arrangements at an early stage in the negotiating process.

Since the Lethbridge Conference last year, the four provinces have worked closely together on this issue under the chairmanship of Manitoba's Finance Minister, the Honourable A. Brian Ransom and his predecessor, the Honourable Donald W. Craik, and, in December, 1980, joined in presenting a consensus western position statement on the Fiscal Arrangements to a federal-provincial Conference of Finance Ministers in Ottawa. That statement emphasized that the western provinces believe "the primary objectives of all parties in the upcoming negotiations should be to build up and improve our current arrangements — not tear down the underlying financial framework of our Confederation."

Western Finance Ministers and Treasurers will be meeting shortly under the chairmanship of the Honourable Hugh Curtis, the Minister of Finance for British Columbia, to follow-up the joint work which is now underway including consideration of options for western provincial tax harmonization. Since British Columbia will be hosting the 1981 Provincial Premiers' Conference, Mr. Curtis will also be suggesting to all his provincial colleagues that B.C. convene a ten-province meeting of Finance Ministers and Treasurers in the near future to discuss the Fiscal Arrangements and prepare a report and recommendations for submission to the ten Premiers at their August Conference.

The western provinces believe that the upcoming discussions of the Fiscal Arrangements, and particularly the assessment of any proposals for modifications to them, should be guided by the following key principles:

(1) **Stability and predictability** — Stable, predictable transfers for health and post-secondary education programming were, in 1976, a primary goal of the Established Programs Financing Arrangements for both levels of government. While that goal appeared to have been achieved, the Federal Government is now threatening to introduce significant payment reductions which could seriously disrupt health and post-secondary programming as early as next year. The Premiers noted that when the E.P.F. arrangements were proposed in 1976, the Prime Minister had emphasized that a three years' notice provision would be included ". . . because the

intention is to underline the relative permanence and stability of the arrangements." Subsequently, such a provision was built into the legislation and remains in effect.

(2) **Flexibility and balance** — The fiscal equalization and E.P.F. programs should continue to ensure that all provinces have adequate fiscal capacity to maintain and improve the quality of key services. The western provinces stated that they are willing to explore alternative methods of program financing which may hold promise of achieving these goals, such as expanded, adequately-equalized tax transfers.

(3) **Rationalization and simplification** — The Fiscal Arrangements should respect the jurisdictional responsibilities of the federal and provincial governments and should avoid further overlap and duplication. At the same time, it is recognized that continuing federal financial support is essential in a number of key program fields. In this connection, the western provinces noted with concern suggestions that the Federal Government might be considering placing greater emphasis on direct, centralized program delivery in order to assert its "presence" in such fields as post-secondary education. Such an intrusion into provincial jurisdictions and resulting overlap and duplication could be extremely disruptive and damaging to programming, and could contribute to costly inefficiencies which would add to the demands on the taxpayers of Canada.

The Premiers also noted that Ottawa apparently believes it may not be receiving satisfactory and adequate recognition for the contributions it is making toward the costs of certain programs. They stated that they had not yet received specific suggestions from the Government of Canada concerning the measures it would see as appropriate to provide the "visibility" which it seems to want.

(4) **Clarity of responsibilities** — Renewed Fiscal Arrangements should be entered into on the basis of a clear, unambiguous understanding on the part of both orders of government as to the provincial program obligations associated with the federal E.P.F. transfers. The respective obligations of both orders of government should not be open to misunderstandings or misinterpretation, thereby creating unnecessary and undesirable tension and conflict between governments.

(5) **Fiscal responsibility** — The western provinces believe that the Federal Government should not seek to resolve its budgetary problems by transferring substantial expenditure obligations onto provincial and local governments. They stated that the appropriate way to improve programming without excessive costs and significant added burdens for Canadian taxpayers is for Ottawa and the provinces to work closely together in developing mutually-acceptable improvements to the Fiscal Arrangements

where it can be demonstrated that they are required.

(6) **Co-operation and genuine federal-provincial consultation** — While it is important that Parliament have a reasonable opportunity to consider and debate changes in the Fiscal Arrangements, it is also imperative that the two orders of government directly involved have adequate time for consultation and negotiation.

COMMUNIQUE ON NATIONAL AND REGIONAL ECONOMIC MATTERS

The Western Premiers considered measures to increase western economic co-operation as a means of counteracting the difficult state of the national economy and a number of counterproductive federal policies.

The National Economy

Concern over the state of the national economy was a major subject of discussion by the four Western Premiers. They noted that the federal government appeared to have assigned a secondary priority to economic recovery. The Premiers agreed that a significant number of the economic problems facing Canada could be attributed not only to international factors but also to the absence of adequate, consistent and regionally-sensitive federal economic policies and leadership. It had been agreed at earlier First Ministers' Conferences on the Economy in 1978 that economic policies should be developed jointly by the federal and provincial governments.

Despite acknowledged strengths and unparalleled potential for development, the Premiers noted that the national economy had experienced a difficult year in 1980, recording:

— the slowest rate of growth in close to two decades

— high unemployment, coupled with declining productivity

— continued high inflation, and

— federal policies that contributed to:

- record high interest rates, and
- a dramatic move away from energy self sufficiency.

Interest Rates

High and volatile interest rates continue to cause severe hardship for many Canadians and represent a serious ongoing economic problem for the country. The Premiers are deeply concerned about the unacceptable and unfair impact of these high rates, especially on farmers, small business operators, homeowners and the development potential of the West.

Acknowledging the federal government's responsibility for monetary and

interest rate policy, the Western Premiers regretted there had been little progress in meeting the concerns about those policies they had expressed at their meeting in Lethbridge in April 1980. At that time, the Premiers noted that the interest rate problem facing Canada was one symptom of a range of major underlying structural problems, which require immediate action, including the balance of payments deficit.

Energy

The negligible growth experienced by the country as a whole in 1980 would have been considerably worse were it not for the positive contribution of major western resource projects, both directly and through the demand for the goods and services of central Canada. The resource industries of western Canada continue to provide the most important impetus for economic growth in Canada.

The Western Premiers are therefore very disturbed that, rather than building on this strength, the federal government chose to introduce a National Energy Program which has had a negative economic impact not only on the energy producing provinces of the West but also throughout the rest of the country.

They saw the National Energy Program as an urgent economic problem. Canada has the opportunity to be self-sufficient in energy. The N.E.P. as now structured will result in that opportunity being squandered; it is not in the interests of Canadians, regardless of where they may live.

The Western Premiers are gravely concerned with the complete disregard for provincial ownership rights on natural resources that is reflected in the National Energy Program, a disregard which seriously undermines a fundamental principle of Confederation. The unilateral imposition by the federal government of policies with profound and disastrous implications for the western provinces marks a departure from the traditional negotiated arrangement that has been a long-standing characteristic of the Canadian federal system.

The Western Premiers are confident that given the proper economic and policy framework, the development of energy resources can provide a basis for sustained economic growth in the decade ahead. The Premiers agreed, however, that unless the National Energy Program (N.E.P.) announced by the federal government on October 28, 1980 is significantly changed, this promising potential will not be realized and Canada's opportunity for energy self-sufficiency will be lost.

The Premiers agreed further to encourage the inter-change of information among western provinces in the area of energy conservation including the development of joint programs, where appropriate. The Premiers also decided

to pursue the considerable potential that exists for western provinces, working in various combinations, to examine jointly energy-related projects in various fields including petrochemicals and heavy oil upgrading.

Agriculture

Agriculture continues to be a vitally important and expanding sector of the western and Canadian economy. Improved co-operative national stabilization programs would assist in developing Canada's agricultural potential.

Premiers agreed to direct their Ministers of Agriculture to work toward harmonization and standardization of agricultural assistance programs recognizing the role of the marketplace in establishing basic levels of returns to producers.

The Premiers also noted the problems which had occurred in 1980 as a result of the federal government's failure to co-operate with the provinces in drought assistance measures. They further requested their Ministers of Agriculture to continue to press their federal counterpart for early and better co-operation, and for a longer-term agreement on federal cost-sharing assistance, should drought conditions persist.

Manpower

Western Premiers agreed to establish more formal co-operative and consultative mechanisms to assist them in addressing common labour market issues and concerns in Western Canada.

The economic growth of Western Canada must not be limited by critical shortages of skilled manpower. The Western Premiers cautioned that current federal energy proposals could seriously affect the pace of western energy development and as a result the need for skilled manpower. The Western Premiers expressed concerns about federal policies in the manpower area including lack of clarification and respect for federal and provincial roles and responsibilities, the proliferation of new federal programs and policy, often announced unilaterally and without provincial consultation and federal funding for training which has failed to keep pace with identified needs.

Western Regional Economic Co-operation

The Western Premiers also agreed to pursue a number of promising new avenues for extending western provincial co-operation in economic policy development and co-ordination.

This will include a major joint effort under the direction of Western Economic Development Ministers, to ensure that the West realizes the maximum possible long-term economic and industrial benefits from the major capital projects which are underway or being planned in the region. The intent is to guarantee maximum Canadian content; this, in turn, will mean major economic benefits for all regions of Canada.

COMMUNIQUE ON WESTERN POWER GRID

Premiers Lyon, Blakeney and Lougheed noted that since the agreement at their 1978 Conference to undertake a conceptual study of a Western Power Grid, significant progress had been made. Detailed feasibility studies on the locations and construction of transmission facilities linking Manitoba, Saskatchewan and Alberta and on the sale and purchase of electricity between the three have been completed and are at the ministerial negotiation state.

The Premiers instructed their ministers to give the highest possible priority to complete the internal analysis and joint financial studies of the material now available on the Western Power Grid and to advise the Premiers at the earliest possible date of their recommendations.

A Western Power Grid would provide security of supply of electricity for the three provinces in addition to contributing to the goal of self-sufficiency by displacing the use of fossil fuels. The construction of a power grid would also demonstrate in very real and positive terms what can be achieved through western provincial co-operation.

COMMUNIQUE ON TRANSPORTATION AND GRAIN HANDLING

The Western Premiers' meeting today in Thompson, Manitoba, stressed the need for immediate action to ensure adequate rail transportation capacity to meet the needs of Western Canada.

"A good transportation system is vital to Western Canadians," the Premiers said, "in mining, the grain industry, forestry, and other areas. If our goods cannot move to market, the economy of the region will stagnate. The problems in this area must be solved, and solved quickly."

Projections for bulk commodity exports within Western Canada indicate a 66 per cent increase in railway freight between 1978 and 1990. Coal is particularly important with an expected 125 per cent increase in this period followed by grain and other bulk commodities. This will mean an economic growth that provides new jobs and revenues that contribute significantly to Canada's balance of payments.

The railways claim they are approaching capacity on westbound movements of all commodities and state that they will be required to spend up to $14 billion in capital investment to provide adequate capacity.

The Premiers noted that the Western Transportation Advisory Council

(WESTAC) is to conduct an in-camera meeting of western producers of bulk commodities and the railway companies to assiss and evaluate future traffic projections and railway capacity in May, 1981. There will be provincial ministerial representation at the meeting and in view of the importance of the issues, the Premiers have requested their ministers to prepare and present a special report on the Conference findings to the four Western Premiers.

The Premiers also called for maximum use of the Port of Churchill for the 1981 shipping season and beyond, and endorsed a meeting in June between governments and organizations involved to develop a co-operative program to achieve this objective. The Premiers recommended the federal government accept a minimum 3% quota of grain exports on Churchill, implement a CN/CP interchange agreement, upgrade the CN line to Churchill, extend the shipping season, and examine winter loading of the terminal to maximize throughput.

The Premiers noted that some progress that has been made toward developing Prince Rupert as a major west coast grain terminal. In addition, they pointed out the urgent need for the federal government to develop an adequate terminal at Prince Rupert for the vast western Canadian coal reserves. Concern was also expressed about the future capacity of the Great Lakes navigation system to move the export traffic to the east.

The Premiers expressed a need to participate in the planning and management of ports. They asked for meaningful consultation in the writing of new federal ports legislation so that provinces have more input in Western Canada's port planning and development. They agreed that increased local decision-making and fiscal autonomy must be granted to west coast port management. Timely development of new terminal facilities is essential to the marketing of Canada's export products.

The Premiers discussed the statutory grain rate issue. They noted that this area was one of federal jurisdiction and responsibility, and commented on the uncertainty and confusion within the federal government as to its position.

The Premiers agreed with the paramount importance of transportation safety but viewed with concern the particulars of the dangerous commodities recommendations fearing that the current proposals, if implemented without care, may place further limitations on the system and significantly reduce railway capacity.

On the federal program of branch line rehabilitation, the Premiers urged that funding be increased to account for inflation and the more extensive basic network.

The Premiers requested federal compensation to western governments for incremental road costs associated with branch line abandonment, and suggested that the concept of off-track elevators be tested in appropriate locations to promote increased grain production.

In summarizing their discussions, the Premiers again stressed the importance of transportation to the economic development and future prosperity of Western Canada and urged greater federal co-operation and initiative to resolve outstanding problems.

COMMUNIQUE ON REGIONAL CO-OPERATION

The Premiers of the four western provinces today announced new initiatives to promote co-operation among the four western provinces. The Premiers, meeting in Thompson, Manitoba, reviewed a report which they commissioned on past, present and future areas for western provincial co-operation.

The Western Premiers' Task Force on Regional Co-operation, chaired by Saskatchewan's Intergovernmental Affairs Minister, Honourable Roy Romanow, reported that over 200 past and existing co-operative activities had been identified involving the western provinces. In addition, the Task Force identified numerous areas for further co-operation among the four western provinces.

The Western Premiers indicated that they will be investigating future co-operation activities in four areas:

1. Western Regional Development;
2. Environment;
3. Rationalization of Public Services; and
4. Western Heritage and Culture.

The Premiers noted that, in the context of co-operative federalism, it is important for provinces to co-operate with each other in areas of provincial jurisdiction.

It is anticipated that decisions on the various proposals for future co-operative activities will be made at next year's Western Premiers' Conference, to be held in Saskatchewan.

STATEMENTS ON CONSTITUTIONAL MATTERS

STATEMENTS

FROM

FIRST MINISTERS' CONFERENCE

ON THE

CONSTITUTION

SEPTEMBER, 1980

OPENING STATEMENT
BY PREMIER STERLING LYON

Prime Minister:

I would like to begin by thanking all those who have been involved in the ongoing constitutional discussions that have taken place over the summer.

Theirs has not been an easy task. In a climate of pre-occupation with those things that divide the governments gathered here, they have not always received the credit they deserve for the progress they have made.

If we are to continue to make progress at this conference — as I believe we can – we must make a realistic and good faith effort to give primacy in our discussions to those areas where we have a chance of significant agreement.

It will call for all of us to have the maturity to put aside, for the moment, matters upon which no early agreement is possible. In some cases, that may be painful, because some of the governments here feel strongly about matters which are not likely to be resolved at this meeting.

But only in this way can we achieve real or significant agreements. Only in this way can we put before the people of Canada, at the end of this conference, tangible proof that the long process of constitutional renewal is finally bearing fruit.

Only in this way can the process of constitutional renewal be — as it should and must be if we are to serve Canada rather than our own private views of what is constitutionally desirable — a positive and a unifying process.

No government at this table need attempt to dictate on all matters to achieve progress. We have a real opportunity to make significant progress by agreement.

We can do that if we begin by understanding that it is natural, in a country as diverse as Canada, and among governments with such diverse and wide-ranging concerns as those represented at this table, that there will be disagreements — in good faith.

We can make progress here if we begin by understanding that failure to agree on any matter is not — and cannot honestly be represented to be — evidence that any government here is somehow less "Canadian" than any other, or that any of us around this table are less committed to the welfare, the interests, and the prosperity of all Canadians.

We have a chance to write a positive chapter in Canadian history at this conference — if we can agree to court agreement rather than confrontation, and to strive for consensus, rather than for victories for any contentious point of view.

I would hope, as well, that at this conference we could demonstrate our broad concerns for the whole realm of challenges facing Canadians and their governments as we begin the 1980's.

It is ironic that, in the process of discussing our constitution — a process that touches on every aspect of our national life — we may sometimes appear to be unconcerned about other critical matters facing us and all Canadians.

There are thousands of unemployed in the auto industry. Our economy appears to be performing more poorly this year than at any time in a quarter century. Even our strongest manufacturing industries in our industrial heartland of Central Canada face a series of wrenching adjustments to increased international competition.

Can we, as the eleven heads of Canada's eleven governments, appear to be telling Canadians not to bother us with those concerns this week, because this week we are not in the economic business, we are in the constitutional business?

It is up to governments to bring our constitution to life with actions consistent with the aspirations and concerns of Canadians. But I am concerned that, throughout this set of constitutional discussions, we have not always been seen to be doing that.

The irony is that, in looking at our constitution, we have identified a real opportunity, and a real need, for more effective economic co-operation.

I am speaking, of course, of the discussions that have taken place with respect to powers over the economy. Those discussions have led us to look at the functioning of our economic union in a way we have not done in the past.

It is proper that your government has raised this and related economic matters in the course of our constitutional discussions. One undenied role for the federal government is to provide leadership in achieving more effective co-operation among the parts of this country.

And the provinces have responded to your initiative, Prime Minister, not simply with constitutional arguments, as important as we agree such arguments must be.

We have responded with a unanimous agreement, reached at the Twenty-first Annual Premiers' Conference in Winnipeg late last month, that federal and provincial Ministers of Finance and of Economic Development should meet to examine ways in which we can work more effectively together in economic matters.

We have agreed specifically to address the areas of public procurement, capital projects, and research and development — all areas in which all eleven Canadian governments are active, and all areas in which, by working together, we can better serve our shared and our several interests.

I believe these meetings can result in real and tangible benefits to Canadians. For example, speaking for Manitoba, we could put before the first meeting of those Ministers the matter of our next hydro electric generating station, which we hope to build in the near future on the Nelson River System in Northern Manitoba.

We will be interested in the help and co-operation of the other provincial governments, and in the leadership and support of your government, as we attempt to define ways in which that development can be used to further the total development of Canada.

We would hope that, through the co-operation and support of other governments, the greatest possible portion of that spending should result in orders for Canadian manufacturers. If a decision to buy equipment in Canada involves significant cost penalties, then we will be asking for the co-operation of other governments in off-setting that penalty in a way that contributes to our own development and to the diversification of the economies of our region.

The Premiers of Ontario and Quebec, where the bulk of Canada's heavy electrical manufacturing industry is located, can tell you the significance — in terms of new jobs and increased competitive ability for their industries — that success in this kind of a co-operative effort can have.

And my colleagues in Western Canada can tell you of the hopes and expectations we have that such co-operation can contribute to our own economic growth and development.

The potential for co-operation to improve the functioning of our economic union is there, Prime Minister, in the good will and the determination to work together that exists in every provincial government.

What has that to do with the constitution and with the subject of our meetings here this week?

First — it is a direct and sensible response to the concerns that we have jointly identified through these constitutional discussions. It demonstrates that these discussions are not taking place in an air-tight compartment, isolated from the day to day problems of Canadians.

Secondly — in my view it adds to the kind of agreement we should be striving for throughout these discussions — an agreement, arising out of the kind of critical look we have all been taking at the way our country works.

Not all of the things we discuss here call for constitutional amendment — at least, not yet. And I would suggest to you that this kind of positive and enthusiastic economic co-operation to make sure that all of Canada benefits from the total economic strength of Canada is more fruitful at this stage than any effort to re-divide the powers over our economy as spelled out in our constitution.

We can agree, Prime Minister, on a range of measures that serve Canada well.

Some will be constitutional in nature: we are at least in range of an agreement on such key items as equalization, communications, patriation, the Supreme Court and an amending formula.

Other agreements, like the one I hope we can achieve with respect to co-operation in efforts to make our economic union function more effectively, will not, in the first instance, give rise to constitutional change.

But they will give rise to additional opportunities for Canadians to find employment and to build better lives for themselves. And surely, ultimately, that is what we are discussing here.

We are not talking about a constitution: we are talking about a country. It is a country that we all love. It is a country as diverse as the people sitting around this table.

And it is a country that expects us to make real progress here, in these discussions.

And I believe that the unemployed auto worker in Windsor, the drought stricken farmer in Manitoba, those in Nova Scotia who are seeing their ability to maintain their industries attacked by electricity costs, and all those others in Canada who face real problems today, demand both those constitutional agreements that are possible, and sensible and practical co-operative action among all our governments to address these very real problems.

We cannot afford to exhaust the patience of Canadians with a process that appears fruitless, or that appears to be interfering with our ability to respond to the real and immediate concerns that exist across this country.

We will not, at this meeting, succeed in resolving all of the most difficult questions before us. But we can make important progress — on constitutional and on other matters. The progress is there to be made. And if we do concentrate on achieving those things which are achievable here this week, we will have laid a healthy foundation for future efforts to achieve a wider agreement.

We have significant differences on principle, for example, on the matter of the entrenchment of a Charter of Rights. But we have, as well, significant opportunities to agree.

My choice, and I believe, the choice of the other Premiers, will be not to waste those opportunities.

We began this series of discussions with twelve items. I am interested in seeing how many we can now agree upon, not in confrontations about the ones that still divide us.

That will be our position throughout this conference. We are not here to sacrifice the agreements that are possible — the significant agreements that are possible — on the altar of our remaining disagreements.

Prime Minister, as you know, our Province of Manitoba has traditionally been a supporter of a strong federal government for Canada. We continue in that tradition.

In practical terms, I believe our province has fewer of what your Ministers have described as "barriers to trade" than virtually any other province in Canada.

We have always perceived ourselves to be Canadians first, and Manitobans second.

But we are still Manitobans. We do still have our own concerns, our own viewpoints. We continue to be prepared to work to harmonize those concerns and viewpoints with those of others across Canada.

In that spirit, we are here to resolve those disagreements that can be resolved, and to agree on an ongoing effort to resolve those whose resolution is not yet clear.

That is what our people expect of us. I believe it is what the people of Canada expect from us all.

I hope, and I believe, that we can work together over these next few days, to write a positive and a unifying chapter in our history as a nation.

STATEMENT ON THE ENTRENCHMENT OF A CHARTER OF RIGHTS

BY PREMIER STERLING LYON

Prime Minister:

While Manitoba actively supports the protection of human rights, it opposes the entrenchment of a Charter of Rights on principle. Our opposition is not a bargaining tactic designed to gain concessions elsewhere in these discussions. We, and other provinces, find entrenchment to be totally contrary to our traditional and successful Parliamentary government and thereby not in the best interests of Canadians.

We would suggest that the onus is on those who advocate change to demonstrate that change is needed, and that it will be beneficial, not harmful. With respect to the entrenchment of a Charter of Rights, we believe that onus has not — and cannot — be discharged.

The question before us is not whether the rights of individuals should be protected. All of us at this table are deeply committed to providing such protection.

Each of our governments — through such legislation as Human Rights Acts, Employment Standards Acts, Acts governing health and safety in the work place, and the kinds of measures to protect the rights of women and children that our Attorney General spoke of yesterday — has already taken real and substantive and effective steps to assure and protect the rights of our citizens.

The real question before us is how best to define and protect the rights of Canadians.

The system of Parliamentary responsible democracy which exists in Canada recognizes and protects the rights of our citizens on an evolving basis, without making judgments as to which rights are fundamental and which are of only secondary importance.

A decision to entrench a Charter of Rights, Prime Minister, would, in effect, move our familiar and traditional and successful Parliamentary form of government towards that of a republican system — replacing a system of protection of rights that has worked in Canada for 113 years with a system that, with respect, has not worked as well in the United States.

Infringements of what might be considered basic rights are rare in our history as a nation. The most obvious and most cited example — the treatment of Japanese-Canadians during the Second World War — was paralleled by similar treatment of Japanese-Americans, despite the fact that the U.S. has, and had, an entrenched Bill of Rights.

There is no historical justification for the entrenchment of a Charter of Rights in the Canadian Constitution. The need for such a fundamental change in our system cannot be demonstrated.

And apart from the absence of historical justification for this proposal, we oppose the concept on the basis of the following principles:

1. An entrenched Charter of Rights would remove the supremacy of Parliament and of Legislatures, which, because it leaves the determination and protection of rights in the hands of elected and accountable representatives of the people, is a cornerstone of our Parliamentary system of Government.

2. Parliament and Legislatures are better equipped to resolve social issues than judges who are not accountable to the people.

3. An entrenched Charter would involve the courts in political matters, a fact recognized by many jurists, including former Supreme Court Justice Pigeon, who has recently pointed out that entrenching a Charter of Rights, grants to the courts an important part of the legislative powers now vested in Parliament.

4. Entrenchment involves a loss of judicial impartiality and judicial independence — two cornerstones of our present respected judiciary.

5. Statute law, because it can be more easily amended, permits more flexible response to social and other changes so as to better protect the rights of citizens.

6. An entrenched Charter would encourage litigation with respect to legislation and introduce a dangerous element of uncertainty into the processes of government.

7. An entrenched Charter, by its inflexibility, would inhibit the development and acknowledgement of new rights, such as the rights of handicapped people, or the right to privacy.

Prime Minister, as Professor G. P. Browne of Carleton University has pointed out, such a "transfer of legislative authority would amount to a constitutional revolution, entailing the relinquishment of the essential principle of Parliamentary democracy: the principle of Parliamentary supremacy."

Let me reply briefly to the arguments advanced in favour of an entrenched Charter of Rights.

First — it is suggested that such an assertion of a commitment to fundamental rights serves to guarantee those rights.

But we all know that the vilest dictatorships can boast the most elaborate Bill of Rights. The real protection of rights lies in the commitment of people and governments to see them protected and enhanced — as they have been protected and enhanced in Canada through our Parliamentary form of government.

Secondly, it is argued that entrenchment of rights renders them immutable.

But Prime Minister, rights require interpretation, and every country with a Bill of Rights has been obliged to redefine the so-called "immutable" rights in response to social and other changes. The meaning of these so-called "immutable" rights is often far from clear. Even the most fundamental of all rights — the right to life — has been variously interpreted in accordance with varying opinions about abortion, euthenasia, and capital punishment.

Thirdly, it is argued that such an entrenched Charter has symbolic and educational value. We already enjoy these alleged advantages with our federal and provincial Bills of Rights.

Prime Minister, Bills of Rights define general rights in such eloquent terms as "freedom of religion" and "freedom of expression." But what rights do such broad phrases actually confer, and by whom are they determined?

Does freedom of religion mean that we can no longer have prayers in schools? Does it mean that governments cannot combat cult activity? Does freedom of expression mean we cannot combat pornography or censor or classify films to reflect our community values? Does freedom of religion mean we can no longer exempt church property from taxation?

Of course, an entrenched Charter can recognize justifiable limitations to fundamental rights. But who decides what limitations are justifiable?

Once such a Charter is entrenched, these decisions will be made — not by the people themselves through their elected and accountable representatives — but by judges appointed by governments to serve until mandatory retirement age.

Throughout our history, Prime Minister, our rights have been protected by those the people elect to represent them. I can see no reason to transfer that function and responsibility to appointees who, however capable in their own

areas, are not involved with the consequences that recognition of rights has on economic resources, nor with the need for pragmatic compromises.

Prime Minister, you have described the entrenchment of a Charter of Rights as a mechanism that would give more power to the people. In fact, Sir, it takes power from the people and places it in the hands of men, albeit men learned in law, but not necessarily aware of every day concerns of Canadians.

The Canadian record on the protection of rights is enviable. We have not had the experience of our neighbours to the south, where judges create rights — on occasion in direct defiance of the people's elected and accountable representatives — and, in the process, dictate social policy. Nor have we had the experience of significant rights, entrenched in the constitution, inhibiting the development of new rights. For example, the right of Americans to bear arms has hindered the development of effective gun control legislation.

Their way would not suit us. Let us retain our own heritage and reject experiments with concepts foreign to our tradition.

In Canada, liberties are no less valued nor in practice less secure than in the U.S. Canadians have preferred to give ultimate responsibility for the protection of their rights to their elected representatives rather than to their judges.

It should not be overlooked that the most comprehensive study of human rights — the McRuer Commission in Ontario did not recommend the concept of entrenchment.

One also remembers the words of the former Premier of British Columbia, the Late W.A.C. Bennett, who, in discussing a similar proposal at a Constitutional Conference some twelve years ago, made the following observation:

". . . even an incomplete study of these proposals reveals that we are being asked to discard the constitutional philosophy of 1867, and embrace the constitutional philosophy of 1776."

As Professor Browne noted: Canadians must understand clearly what is at stake. The question is not whether we should have a Bill of Rights, but whether we should entrench it. This means, in practical terms, that we must decide whether to leave the ultimate responsibility for defining our civil liberties with the federal and provincial parliaments, or to hand it over to the Supreme Court.

Our constitutional history, governmental system, federal structure, cultural needs and social ideals, all dictate the answer. Our elected and accountable representatives must retain the ultimate authority to define and reflect our basic social values as a nation.

STATEMENT ON EQUALIZATION

PREMIER STERLING LYON

Prime Minister:

A little less than a year ago, at a special First Ministers' Conference on Energy, we had a brief but useful discussion of the pressures on our current equalization arrangements . . . and the various ways in which these pressures had changed over time, with the "ebb and flow" of economic circumstances.

At that conference, I recalled the significant contribution which our province, under the leadership of The Honourable John Bracken and others, has made to the development of these arrangements . . . arrangements which you, yourself, Sir, have characterized, quite correctly, as the "cornerstone" of the unique system of financial relationships which helps bind our nation together.

Manitoba continues to believe that equalization is one of the most important . . . if not the most important . . . direct manifestations of what this country is all about . . . ensuring provinces have the revenues necessary to provide reasonably comparable levels of service across the country.

For this reason, we have supported the proposal, put forward initially by Nova Scotia a few years ago, that a statement of the equalization principle be included in the renewed constitution.

Having said this, I want to say also that I share a number of the reservations which British Columbia has expressed from time to time about the advisability of a too-specific provision. Flexibility . . . adaptability to changing situations . . . is essential here, as elsewhere in the constitution.

It is essential to point out as well, that the principle of equalization should not be used as a rationale for a one-sided, one-way system of so-called "redistribution" or "sharing" . . . or, as some might put it . . . to "rob Peter to pay Angus . . ." or any of the rest of us.

The Western Provinces have often stressed the "share" we have already borne — the contributions we have made . . . to the economy of Central Canada under various "national" policies, including freight rates and tariffs. I am looking forward to discussing some of these matters further when we get to the "economic powers" item on the agenda.

For now, I can say that, of the various alternative drafts which have been prepared, it would appear that the one with the best chance of general acceptance is the one which was on the table in February, 1979. On that basis, we are prepared to support that draft.

Within the next year or so, we will be back around this table discussing the specifics of equalization and other features of a new set of fiscal arrangements to take effect April 1, 1982. We recognize that some change may be inevitable, but we believe it is essential that the federal government maintain a system which is both strong and responsive, and which will continue to contribute in a direct and fundamental way to the unity of Canada.

STATEMENT ON "POWERS OVER THE ECONOMY"

PREMIER STERLING LYON AND MINISTER OF FINANCE DONALD W. CRAIK

Prime Minister:

Manitoba shares the concerns that others have expressed here, that the expansions you are proposing in federal powers over the economic lives of Canadians, would not be in the national interest.

And we think it is important that Canadians understand that, compared to the increases in federal power you are proposing here, all of the so-called transfers of powers to the provinces which you have referred to so often throughout this conference are frankly insignificant.

But having said that, Prime Minister, we must also say that Manitoba agrees that there are problems in the functioning of our economic union. I think that our major differences with your position lie in our view of the nature of those problems, and in the best way in which we can begin to solve them.

I would ask our Minister of Finance, the Honourable Donald Craik, to put Manitoba's views before you, and to make our suggestions for the ways our eleven governments should address the problems that exist in this area of Confederation.

Prime Minister:

Manitoba's concerns in this area are two-fold.

First, we are concerned, as we know other provinces are, that the tremendous increases you are proposing in federal powers over the economic lives of Canadians would fundamentally reduce the ability of Canadians to act affirmatively through their provincial governments, and co-operatively within their regions, to achieve the kinds of economic roles they aspire to for their provinces and their regions within Confederation.

But having said that, Sir, I must also say that Manitoba is deeply concerned about the functioning of our Canadian economic union, and about what appears to us to be an unfortunate tendency away from co-operation among governments on economic matters on a nationwide basis.

We are frankly concerned about the so-called barriers to trade that are growing up between provinces.

Like our sister province of Ontario, Manitoba is a manufacturing province. We depend on free and fair access to the markets of our sister provinces for our own prosperity. Access to the markets of our sister provinces in Western Canada, in particular, are the key mechanism whereby we share in the growing prosperity of our region of Canada.

On a broader basis, we believe that Manitoba industries are capable of growing and competing successfully in markets across Canada, if they are permitted to do so freely. And that is not the case at the present time.

But we believe that the so-called barriers to trade that concern us as much as any province are not the sole, or even the primary problem within our economic union. In a sense, these barriers are merely symptoms of the greater problem, which is that we have not established the habit of, or mechanisms for, harmonizing the economic and industrial development efforts of our eleven governments.

With respect, Sir, we would suggest that if we are really committed to improving the functioning of our economic union, that is the problem we should be addressing.

Let us speak for just a moment about barriers to trade, Prime Minister. Because our experience within Confederation has been different from that of our sister manufacturing province of Ontario, we have a different understanding of these so-called barriers, of how and why they evolved, and of the best ways in which we, as governments representing all of the people of Canada, should co-operate to make them obsolete where they are harmful to our shared and our several interests.

It is important to begin by understanding that virtually every one of those things we describe as barriers to trade began as positive and affirmative economic development efforts on behalf of the people of specific provinces or regions — efforts to achieve different and broader economic roles for themselves than seemed to have been assigned to them by federal policy.

In the west, we have worked to become more than suppliers of resources and markets for Central Canada — an economic role which, through tariff and freight rate policies, was, in effect, assigned to us under federal policy — Manitoba's case when we joined Confederation, one hundred and ten years ago.

We have been striving to be able to offer our people that same breadth and diversity of opportunity that people in Central Canada have been able to take for granted over the years.

And we believe that is true, as well, of our sister provinces in Atlantic Canada. The kinds of efforts that Prince Edward Island has made to protect its land, or that Newfoundland is making at least in the early years of its developing energy industry, to assure that its own people have a real opportunity to compete for the employment that will — we all hope, be created in the industry, can be argued to be affirmative reflections of the wishes and the aspirations of the people of their provinces.

Now, it is true that many of these actions have had the effect of creating barriers to the free movement of goods, people, and capital within Canada.

But because they do address legitimate regional social and economic concerns, I do not think we can realistically suggest that they can be removed — and replaced with no equivalent mechanism to address those same concerns and achieve those same objectives.

The need, Prime Minister, is not simply to remove barriers. The need is to devise better, more co-operative ways in which provinces and regions can work together, with the leadership and support of the federal government, to achieve their economic goals, in a way that makes such barriers unnecessary.

But we must do that, Sir, without removing the ability of people in any part of this country to use their provincial governments in an affirmative way to achieve their objectives. And your proposals for increased federal power over the economic lives of Canadians would impair that ability.

And so, we could agree to consider Saskatchewan's suggestion for a general commitment to the maintenance and enhancement of our economic union. But I should stress, Sir, that we see the concept of an economic union as being very much broader than simply the maintenance of market access: for the greater part of our history, the industries of Central Canada have enjoyed free and protected access to all our markets, but our economic union has not worked to achieve the legitimate expectations of people in other parts of Canada.

But in addition to such a constitutional commitment to the concept, Prime Minister, Manitoba is of the opinion that our eleven governments must take firm and tangible actions to bring that commitment to life.

At the Premiers' Conference in Winnipeg last month, all ten Premiers agreed that we should begin with a joint meeting of federal and provincial Ministers of Finance and Economic Development to look at the key areas of government procurement, capital projects, and research and development — to begin to find the better and more co-operative ways of achieving objectives that are needed.

In his opening statement, my Premier gave the example of our own proposed hydro electric developments, and how these huge capital projects could be used as broad instruments of industrial development for a number of provinces.

And there are other examples that already exist. The province of Ontario has taken an important initiative to achieve inter-provincial co-operation in the health care and medical products industry — an initiative that has enjoyed the support of all nine other provinces, and the very material support of a federal Crown corporation, the Canada Development Corporation.

To our mind, that is the way to begin. To our mind, as my Premier expressed it in Winnipeg in August, our effort should not be, in the first instance, to make all of the so-called barriers to trade illegal; we should begin to work to make them obsolete.

The problem you have identified in the functioning of our economic union is a real problem, Prime Minister, and we share your concern about it.

But the solution you have proposed, and the potentially very significant increase in federal powers over the economic lives of Canadians that you have suggested, may be a great deal worse than the problem, and could tremendously reduce the ability of people in any part of this country to make their own choices — and to make their own efforts — with respect to their economic lives.

I believe the alternative approach we are suggesting will serve the interests of manufacturing provinces like Manitoba and Ontario, without in the process sacrificing the interests of other parts of this country.

I repeat: Manitoba needs market access, Sir. But we believe the way to achieve it is to work to establish true nationwide co-operation, through the kind of ongoing negotiation and harmonization of economic policies we are recommending here.

We would oppose the suggested amendments to Sections 91(2) and 121 of the BNA Act — at least at this time. Let us first work to achieve the essence of a real economic union — co-operation.

It is important for Canadians to understand that our eleven governments have never met for the specific purpose of finding practical solutions to these problems. In the absence of any such meeting, of any such effort to achieve these things by agreement, there can be no justification for the kind of drastic and fundamental change you are proposing in our constitution.

CLOSING STATEMENT

PREMIER STERLING LYON

Prime Minister:

Just six days ago, as this conference began, I believed agreement was within our grasp on a number of key issues: off-shore resources; a system of national enforcement of court orders with respect to maintenance and child custody; equalization; fisheries; communications; the Supreme Court; and on the principle of our economic union.

I was realistic, Prime Minister. I thought then that it would take us a little longer to agree on the overall question of resource ownership and its relationship to federal powers over inter-provincial trade. It would take us a little longer to reach agreement on the Senate, or upper chamber.

And I saw no way, Prime Minister, that we could agree on your proposal for an entrenched Charter of Rights. I believe, as I think most Canadians do, that our rights are already better protected by our parliamentary system than they are in any nation on earth with such a Charter of Rights in its constitution.

But I did believe that agreement was within our grasp on the list of significant items I have mentioned.

And, based on those agreements, or at least on a modest package of some of them, I believed we could also agree on patriation, and on an effective and satisfactory amending formula.

I join with the Premier of Quebec in regretting that you have chosen not to set forth the position of the federal government — to indicate whether your positions have changed in any way since yesterday, to make agreements possible. Hearing of no such changes, we can only conclude that your government has concluded that it is unable to agree on any package.

But now, Prime Minister, we have instead to report to Canadians that we have not yet found agreement on any of the items we have considered through the summer, and throughout what have seemed to be the long days of this conference.

And I wonder, as I think most Canadians will, just why those agreements that seemed so possible just six days ago have escaped us.

And I cannot help thinking how close this result for this conference is to that described in a document that most of us first saw last Sunday evening. It purported to be a planning document prepared for you and your cabinet.

That document spoke — not of reasoning or good-faith negotiation — but of elaborate efforts to put those around this table who might disagree with your government "on the defensive." It outlined a plan for unilateral action by the federal government, together with elaborate plans to blame the provinces for the failure of this conference — a failure that only those who wrote the document for you seemed to find desirable.

It spoke, Prime Minister, of plans to avoid bringing the proposed unilateral federal action before our courts. It was interesting to me to see that the same courts to whom you ask Canadians to entrust the protection of their rights, were not to be trusted, in the opinion of those who wrote this document for you, to adjudicate the actions of your government.

One might have wished, Prime Minister, that you or your Ministers would have been moved to disavow that document, and the destructive course of action it recommended.

Because even without such a document — and the cynicism it reflected, the task we have set ourselves in striving to renew our constitution is a formidable task.

It is a task that has proved to be beyond the wit and wisdom of our predecessors.

In a country as big and diverse as Canada, it is difficult enough to make agreements when we all bargain in good faith. There are very real differences among us, based on our history, our experience within Confederation, and on our current circumstances.

But before we dismiss this conference as a failure, I think it is important for Canadians to know and to understand just how very far we have come along the road to agreement.

Ten provinces agreed on communications. Ten provinces agreed on the basic principle of equalization. Ten provinces agreed on off-shore resources and nine on the overall question of resources. Ten provinces agreed on those parts of the family law proposals that would permit the establishment of unified family courts to serve people in every province more effectively.

Seven provinces, Prime Minister, agreed that rights in Canada could be better protected by a preservation of our existing system than by the entrenchment of a Charter of Rights.

Ten provinces agreed on fisheries.

And ten provinces agreed in principle with an amending formula based on the Alberta proposal.

We Manitobans have had a very different set of experiences within Confederation than, for example, the people of Newfoundland, New Brunswick, Quebec, Ontario, or British Columbia. Our current circumstance is different from that of Alberta or of Prince Edward Island.

But despite these differences, our governments were able, in many cases, to reach agreements, to establish accommodations that would serve the interests of the very different communities we represent.

We were able to do that because, in the important things, most of us share a similar vision of Canada.

Prime Minister, in a sense, our vision of Canada is a very practical one. It is rooted in our close involvement with the people we represent — with their concerns and problems and aspirations and achievements.

It is influenced by the kind of sympathy you learn on the prairies during a drought, or by the struggle of the out ports in Newfoundland. It is influenced, as well, by the pride we share with the people we represent — a pride in our provinces, our regions, and in our country.

That vision may sometimes make us reluctant to change, until we are very sure that change is needed. But because we share it, we have been able to come a long way along the road to agreement on a whole series of changes over these past months.

And we were able to come to this conference with at least a modest package of agreements within our grasp. We came determined to make those agreements.

But they escaped us. Those possible agreements vanished — under a federal pretense that what was really at stake here was power, and under a federal pretense that the critical question was which government or which court should make which decisions.

With respect, Prime Minister, that is not what the people of Manitoba believe this conference was really all about. We believe this was a forum in which we could strive to improve those things that need improving in Canada, and to preserve those things that deserve preservation. We have kept no score card on powers. And we are not interested in one.

We understand that one option now is for you to move to repatriate the constitution, with an amending formula based on our established convention of unanimous consent by all provinces on any changes.

That is not the amending formula that I or any other Premier at this table would recommend, but in the absence of agreement on a better one, it is all we have.

But I believe that every Premier at this table has tried sincerely to find agreements here. Specifically, although I disagree with him about many things, Prime Minister, I believe that the Premier of Quebec and his colleagues, at this conference and throughout the efforts that have been made to reform our constitution over the past months, has spoken openly, honestly, with a realistic effort to accommodate the other parts of Canada, and in good faith.

And so I cannot believe it is beyond our wit and our wisdom to make real and significant changes in our constitutional order, based on agreement.

I cannot help thinking, Prime Minister, of other constitutional conferences that many here have been involved in. Beside those others — this conference has been no failure. The progress and the movement we have made here would have seemed impossible even a few months ago.

So, we must ask, by what measure is this conference a failure?

It is a failure only if we assume that our meetings here represent a deadline. And no Premier at this table has ever agreed to that. After 113 years of successful history, Prime Minister, how can we say to Canadians that, because in three months' time we have not reached agreement, we are prepared to abandon our efforts? Canada will carry on, and so must we.

I do not believe it is in the interests of Canada to consign this conference to the category which your planning document described as a "near miss." I do not believe there has been justification here for the abandonment of this process which is called for in that document.

We have no honest choice but to keep on trying.

We have other problems before us, as well, Prime Minister — that equally demand our attention and our efforts. In an economy marked by double digit inflation, unemployment, and the worst overall economic performance in a quarter century, we cannot concentrate exclusively on the constitution. But we must keep trying.

And if agreement is hard to achieve, and if the process of change is difficult, we should perhaps remember that the Fathers of Confederation intended that to be so, because they were confident that they had built well, and 113 years of our history proves that they had.

And so, instead of abandoning the process, Prime Minister, I would suggest we abandon the plan recommended to you. I would suggest we abandon inflexibility and jointly agree on reasonable and realistic deadlines.

Instead of abandoning the honesty, the good faith, and the joint resolve that has been shown so clearly here, I would suggest we abandon any pretense that the chapter we are writing in our history will be any less significant if we take a few more months of sober thought in writing it.

I believed when this conference began that at least a modest package of agreement was within our grasp. And for me — and for most Canadians — today's result is not good enough. We must keep trying.

Could we not agree now on the next conference where we may continue our efforts? And as Chairman of the Council of Premiers, I would invite you and my fellow Premiers to hold that conference in the City of Winnipeg no later than early in the new year.

I would suggest that our agenda at that conference be made up of those items upon which significant agreement seems most likely, together with the key questions of a patriation and amending formula that will be more than symbolic.

With all respect to Ottawa, Prime Minister, I believe our efforts may bear greater fruit elsewhere, and the atmosphere of Winnipeg has always encouraged flexibility and accommodation.

And in the time before that conference, I would suggest that each of our eleven governments re-examine each of our positions and our attitudes to find the flexibility to take the next important steps.

In that way, Prime Minister, we can keep this conference from indeed being a failure — from being the "charade" that some have suspected it to be. We can keep the progress — the very real progress towards agreement — from being lost and wasted.

We need no plan, Prime Minister, beyond a plan to succeed. On behalf of your fellow First Ministers, I ask you to continue to work with us in achieving that for Canada.

THE HONOURABLE STERLING R. LYON, Q.C.
PREMIER OF MANITOBA

ADDRESS TO THE

ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

FEBRUARY 2, 1981

ADDRESS

BY

THE HONOURABLE STERLING R. LYON, Q.C.
PREMIER OF MANITOBA

TO

The Royal Institute of International Affairs
February 2, 1981

Canadians are currently involved in a legal and political controversy arising out of an attempt by our federal government to make a series of fundamental changes in our constitution without the consent of the legislatures of the ten provinces of Canada.

That controversy is of great importance to the United Kingdom, because our federal government has asked the Parliament of Canada to approve a resolution asking the United Kingdom Parliament to make a number of material amendments to the British North America Act, the statute which comprises the written portion of the Canadian constitution.

Because of the constitutional amendment custom, the Parliament of the United Kingdom finds itself inescapably involved in what would otherwise, and properly, be considered a domestic Canadian matter. This is a situation which I believe is as uncomfortable for you as it is for us.

The question, of course, is how to respond to the situation.

In answering that question, I believe we must begin with the federal nature of the governmental system established in Canada in 1867 by the passage of the British North America Act.

Because of the tremendous size and diversity of Canada, our government was established as a federation, with two levels of government, each sovereign in its defined areas of jurisdiction.

Generally speaking, the federal government was given jurisdiction over matters of mutual and common concern, and the provinces over matters of greatest concern to people in their particular areas and communities.

No other approach to government was practical in 1867, and no other approach to government in Canada would be practical today. The great distances, and the great economic, social and cultural differences that exist among the regions of Canada render it impossible for any single central government to reflect adequately the legitimate expectations and aspirations of people in all parts of our country.

And so we are governed by two levels of government, each sovereign in its own area of jurisdiction. It is important to understand that the powers of the provincial legislatures of Canada **are not delegated powers and cannot be altered, diminished or removed by the federal Parliament of Canada.**

Section 92 of the British North America Act defines the areas of exclusive provincial jurisdiction, and affirms the sovereignty of the provinces even to the extent of giving provincial legislatures the authority to amend their own constitutions (a power which, interestingly enough, was withheld from the federal Parliament of Canada until 1949).

The Statute of Westminster, passed in 1931, again affirmed the sovereignty of the provinces within their areas of jurisdiction by providing, in Section 7 (3), that the Parliament of Canada could enact laws only within its areas of competence as defined in the British North America Act.

The Statute of Westminster also excluded the British North America Act from its operation in one important respect. It explicitly withheld from the Parliament of Canada the right to amend the British North America Act. That was done at the request of the provinces with the concurrence of the central government to ensure that the federal government could not unilaterally amend the constitution of Canada.

It is ironic that, in our present controversy, the federal government is attempting to turn this exclusion on its head, **arguing contrary to all evidence,** that the federal parliament **alone** may request amendments to the British North America Act, and indeed that the Parliament of the United Kingdom has **no choice but to comply with such requests.** This must be condemned for being the precise opposite of the intent of the **exclusion** when it was incorporated into the Statute of Westminster in 1931.

It is clear that the authority of the federal government to amend the constitution without provincial consent is limited strictly to areas of exclusive federal jurisdiction.

The amendments made to Section 91 (1) of the British North America Act in 1949, empowering the Parliament of Canada to change its own constitution, recognized that explicitly the powers and privileges of the provinces were clearly excluded from this newly granted power.

The then Prime Minister of Canada, the Right Honourable Louis St. Laurent said, in respect of Section 91 (1):

> "There are a certain number of provisions in the British North America Act which are part of the constitution of each province. They certainly are not included in 91 (1) because under Section 92 (1) the provinces respectively have exclusive jurisdiction in that regard . . . there are other provisions which are clearly rights that the (provincial) legislatures enjoy . . . this is certainly something which could not be interfered with . . . the field really narrows down to these matters which affect the set-up of the central authority."

The white paper on the amendment of the constitution of Canada, prepared by the federal Minister of Justice, the Honourable Guy Favreau, in 1965, recognized as a general principle of the amendment process as it had evolved in Canada, that "the Canadian Parliament will not request an amendment directly affecting federal-provincial relations without prior consultation and agreement with the provinces."

The Supreme Court of Canada, in a December 1979 opinion denying federal power to change unilaterally the composition of the Senate of Canada, affirmed once again that the federal amending power extended only to the constitution of Canada in its federal aspects. The court unanimously held that:

> "But Section 91 (1) does not give power to amend the Act. Instead, the phrase "Constitution of Canada" is used. In our opinion, the word "Canada" as used in Section 91 (1) does not refer to Canada as a geographical unit but refers to the juristic federal unit. "Constitution of Canada" does not mean the whole of the British North America Act, 1867, but means the constitution of the federal government, as distinct from the provincial governments. The power of amendment conferred by Section 91 (1) is limited to matters of interest only to the federal government."

The established practice in Canada is therefore clear.

In the 113 years since our founding as a nation, no constitutional amendment affecting the powers of provincial legislatures has been made without the consent of the provinces.

Since 1949 in particular, all amendments that have been made have affected both levels of government and all have been made only after unanimous provincial agreement had been obtained.

There can be no question but that the package of constitutional changes now being put forward in Ottawa does affect the powers of the provinces. This was admitted by counsel for the federal government during current litigation in Canada.

That being so, the changes could only be made in accordance with the established amending formula in Canada. Although our Prime Minister attempts to argue otherwise, such a formula is in existence today. It requires the unanimous consent of the provinces and the Parliament of Canada before changes affecting both levels of government can be made.

If I may refer once again to the 1965 white paper on the amendment of the Canadian constitution:

> "It may be argued that a requirement of unanimity is too inflexible to be applied to the distribution of legislative powers, but this distribution is basic to Canadian federalism. In fact, in the years that have elapsed since Confederation, no amendment has altered the powers of provincial legislatures under Section 92 of the British North America Act without the consent of all provinces. This clearly reflects a basic and historic fact in Canadian constitutional affairs. The constitution cannot be changed in a way that might deprive the provinces of their legislative powers unless they consent."

But **that** is precisely what the present federal proposals would do. The Ottawa government is attempting to change the constitution and the constitutional conventions of Canada by moving unilaterally to amend the constitution of Canada. Since Section 91 (1) makes it impossible for this to be done directly, the federal government is seeking to achieve it indirectly by petitioning the Parliament of Great Britain.

The federal proposals put limitations on the ability of the provinces to exercise their legislative powers. They invade the exclusively provincial area of education. They attack provincial powers again by altering the constitutional amendment process itself. Eight of the ten Canadian provinces oppose the federal package and six of the ten provinces have joined in referring this matter to the courts, asking for a declaration that the proposed federal actions are unconstitutional. The two basic arguments being put forward by the provinces are:

1. that the unbroken convention that provincial consent is required for any constitutional change affecting the rights, powers and privileges of the provinces has crystallized into a Rule of Law enforceable by the courts;
   and
2. that the Statute of Westminster transferred ultimate and undivided sovereignty over provincial matters to the provinces in the same way as ultimate sovereignty over federal matters was transferred to the Parliament of Canada; the Parliament of Great Britain is a legislative trustee for **a federal Canada,** protecting provincial as well as federal powers.

As you may know, the federal government in Canada has pursued a deliberate strategy of avoiding a reference of its proposals to the Canadian courts. Two years ago, Ottawa agreed to refer its proposals for changes to the Senate to the Supreme Court of Canada, but in the present case, although the changes they are now proposing are far more sweeping and fundamental than those they put forward in 1978, they have consistently refused to make any such reference.

In the face of this federal effort to avoid the courts, six provinces have themselves joined in making references to the Courts of Appeal in Manitoba, Quebec and Newfoundland.

And as long as these references are before the Canadian courts, it is my opinion that there would be serious impropriety involved were the Parliament of Great Britain to accede to any requests from the Parliament of Canada for material amendments to the British North America Act affecting provincial powers. It would be a violation of the principle of government under the Rule of Law. Indeed the Kershaw Report has now made precisely the same point.

It would also raise some difficult questions. The Canadian courts may well hold that any such action, while theoretically possible insofar as Great Britain is concerned, is unconstitutional insofar as Canada is concerned.

In such a situation, it is conceivable that some provinces may refuse to acknowledge any such changes in their constitutional status. That would be divisive in the extreme.

But what of the federal arguments in support of their attempted unilateral action?

They justify their actions as a response to the separatist movement in Quebec. And yet both the government and the federalist opposition in the Quebec Legislature are opposed — and strongly opposed to their attempt to make changes in our constitution affecting provincial powers without the consent of the provinces.

The federal government claims broad public support for its attempted unilateral actions. And yet those actions are opposed by eight out of ten Canadian provincial governments. Those governments defended provincial rights even though public opinion, influenced by a nationwide federal advertising campaign, appeared, at one time to support the federal government. Today, as the enormity of the federal intrusion into provincial jurisdiction has become clearer to the Canadian people, public opinion is changing and a majority of Canadians, according to recent polls, oppose unilateral federal action.

Finally, the federal government claims that its unprecedented actions are necessary because Canada is locked in a hopeless constitutional stalemate. They speak of 53 years of constitutional frustration.

But what is the truth of the matter?

The truth is that our present constitution has worked well and is now one of the oldest written constitutions in the world. Since 1949, the constitution has been amended, by unanimous consent, to permit improved pensions and supplementary benefits for the aged, and to provide for the mandatory retirement of judges at age 75.

Within our constitutional framework as well, there have evolved a wide range of patterns of federal-provincial co-operation, sharing costs and jurisdictions to permit more effective regional economic development, the development of better health and education services, and the provision of more effective policing. We have developed a system of equalization, whereby revenues are redistributed through the federal government from richer to poorer provinces, to permit roughly equivalent levels of public services to be enjoyed by all Canadians.

And during the most recent round of constitutional negotiations in Canada, which took place after the Quebec referendum and **were suspended by the federal government** after a meeting of First Ministers in Ottawa last September, the ten provinces had reached agreement in principle on a new amending formula that would have been significantly more flexible than the current unanimity rule and more flexible than the formula which the federal government seeks to impose. Agreement was near, on a number of other topics.

Far from being in the grip of stalemate, we were closer to agreement on a range of constitutional amendments than we have been in a decade.

There is no special need or emergency in Canada today that can be used to justify the proposed unprecedented federal actions. It is true that there has been no agreement on the Prime Minister's proposal for the entrenchment of a Charter of Rights in the Canadian constitution. That proposal is opposed by seven of the ten provinces, who believe the rights of Canadians are more effectively protected by the parliamentary system and the common law.

But I would suggest that a failure to reach agreement on one proposal for constitutional amendment is not an indication of a total constitutional stalemate. It is rather an indication that the proposed change has not achieved sufficient support to merit entrenchment.

The proper course of action for the federal government in Canada is to return to the **bargaining table with the provinces**, and to negotiate in **good faith** to achieve agreement on a new amending formula, patriation of the constitution, and such other matters as can be agreed. In the case of particular changes that do not enjoy sufficient support to be achieved, the proper course is to continue efforts to reason and persuade the other governmens of Canada of their merits.

The majority of Canadians, and the governments of the Canadian provinces, wish to see our constitution brought home to Canada. We wish to see a new amending formula that will offer greater flexibility, while still preserving the protections for regional interests achieved by the present unanimity rule.

But we are fundamentally opposed to the current federal attempts to abandon our conventions and unilaterally to change the constitution of Canada, and we will stand our ground with every legal and constitutional weapon available to us, until the federal government abandons this present folly.

What, then should the Parliament of the United Kingdom do?

As a Canadian who supports the monarchy, the parliamentary system, and the Commonwealth, I am naturally hesitant to attempt to advise the Mother of Parliaments. But with respect, I would make two suggestions.

The first is that the Parliament of the United Kingdom should refuse to accede to the proposed request as drafted from the Parliament of Canada to amend the British North America Act because:

1. a majority of the equal partners in the Canadian federation, the provinces of Canada, oppose these changes which would undeniably affect the powers of the provincial legislatures;
   and
2. to act contrary to provincial wishes is to deny the essence of Canadian federalism.

Indeed, it would be a reversion to colonialism for the **United Kingdom to impose a new constitution on the people of Canada without their consent.**

My second suggestion for the Parliament of Great Britain is that it consider relieving itself in accordance with accepted constitutional practice, of the trust relationship with Canada by divesting itself of its power to amend the British North America Act, and by recognizing the present constitutional requirement that amendments affecting the powers of the two levels of

Canadian government be made only with the unanimous consent of the provinces and the Parliament of Canada. As I understand it, if the Canadian courts find — as we expect they will — the unanimity rule to be law, then Westminster could certainly adopt that rule and send the package back to Canada once and for all.

Such a course of action would end the uncomfortable involvement of the British Parliament in what is more properly a purely domestic Canadian matter, and remove any temptation for the kind of constitutional sharp practice the federal government is attempting in its current efforts to avoid the requirements of Section 91 (1) of the British North America Act. This in turn would certainly lead to a resumption of constitutional negotiations among the governments of Canada — where the consideration of these matters most properly belongs.

Many of you are familiar with these basic legal arguments. They have been put more eloquently by some in this country than I have put them. The report of your House of Commons Foreign Affairs Committee chaired by Sir Anthony Kershaw is an outstanding work of research and objectivity which I am confident will be persuasive in this country. . . . even Canada.

The merits of the specific proposals being put forward by the federal government should not be at issue here in Britain. Your concern, as the legislative trustees for a federal Canada, must be instead the constitutionality of the process being followed by the Canadian government in this instance.

But from a Canadian standpoint, we must be concerned as well with the political implications of this federal attempt to change our constitution without regard for the wishes of the provinces or the regions of Canada.

And those implications are serious indeed. We would be moving from a monarchial-parliamentary system to a presidential-republican system. This is not favoured by a majority of Canadians.

That same refusal to negotiate or to make reference to the courts that has marked the federal strategy in this constitutional debate has characterized as well its efforts to assume greater control of provincially-owned resources, including particularly energy resources, in recent months.

It is an important political fact, in the Canadian context, that the parliamentary majority which the Prime Minister is using to bring forward his constitutional proposals and his so-called energy strategy includes only two members from Western Canada. And yet, in the case of energy, by far the greatest burdens are being borne by Western Canadians.

The alienation that is being spawned from this apparent disregard for the interests of the west has already sparked a movement for western separatism stronger than I would have believed possible even a few months ago.

If this last protection of a constitutional amending formula requiring unanimous consent is to be ignored, if not abolished, by the federal Parliament without regard for the wishes of the governments and people of our region, I believe that alienation will be further strengthened.

There are approximately two million people in the province of Alberta, where most of our conventional oil reserves are located. There are eight million people in the province of Ontario where most of our oil is consumed.

There are approximately 100,000 people in our smallest province of Prince Edward Island. There are six million people in the province of Quebec.

The genius of federalism has been that despite these disparities in numbers, despite the vast distances and cultural and linguistic differences among the provinces of Canada, we have been able to achieve effective national government combined with provincial governments able to reflect, foster and protect the specific interests and the varying nature of our communities and society.

It would be folly to abandon that federal system, or the constitutional and other mechanisms that have fostered a balance and a healthy evolution of co-operative relations between the two levels of government of Canada.

But the current federal proposals amount to just such folly and abandonment. If the wishes of the peoples of Newfoundland, Nova Scotia, Prince Edward Island, Quebec, Manitoba, Saskatchewan, Alberta and British Columbia, as expressed through their elected provincial governments can be disregarded entirely in the changing of our most fundamental laws, then the ability of the people of those provinces, and of all Canadians, to feel comfortable and confident together will be diminished.

Federal systems are not easy to operate. There is need for negotiation, for give and take, and for a constant striving for consensus and civility among governments, each sovereign in its own area of jurisdiction. On the whole, the Canadian system has been outstandingly successful at achieving those goals.

The current federal efforts to change our constitution without provincial consent amount to an abandonment of negotiation, a repudiation of consensus and civility.

As such, their potential to harm the Canadian polity is staggering.

And so, for these political reasons, as well as for the legal reasons I and others have described, it is my hope that this reckless federal action will be stopped — if not in Canada, then here in Britain, by the Parliament **that acts as the legislative trustee for a federal Canada,** and that we Canadians can end this senseless and embarrassing display of our differences, and return to the negotiating table to exercise our shared authority **as a sovereign and mature nation.** . . . Canada will survive.

CONSTITUTIONAL ACCORD
CANADIAN PATRIATION PLAN

OTTAWA

APRIL 16, 1981

CONSTITUTIONAL ACCORD
CANADIAN PATRIATION PLAN

WHEREAS Canada is a mature and independent country with a federal system of government,

AND WHEREAS the Parliament of the United Kingdom has retained, at the request of the Parliament of Canada and with the approval of the Provinces, residual power to amend certain parts of the British North America Acts upon receiving a proper request from Canada,

AND WHEREAS it is fitting and proper for the Constitution of Canada to be amendable in all respects by action taken wholly within Canada,

AND WHEREAS the full exercise of the sovereignty of Canada requires a Canadian amending procedure in keeping with the federal nature of Canada,

NOW THEREFORE, the Governments subscribing to this Accord agree as follows:

1. To patriate the Constitution of Canada by taking the necessary steps through the Parliament of Canada and the Legislatures of the Provinces;
2. To accept, as part of patriation, the amending formula attached to this Accord as the formula for making all future amendments to the Constitution of Canada;
3. To embark upon an intensive three-year period of constitutional renewal based on the new amending formula and without delay to determine an agenda following acceptance of this Accord; and
4. To discontinue court proceedings now pending in Canada relative to the proposed Joint Address on the Constitution now before Parliament.

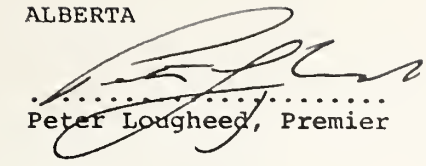
The Canadian Patriation Plan is conditional upon the Government of Canada withdrawing the proposed Joint Address on the Constitution now before Parliament and subscribing to this Accord.

The Provinces of New Brunswick and Ontario are invited to sign this Accord.

Dated at Ottawa this 16th day of April, 1981.

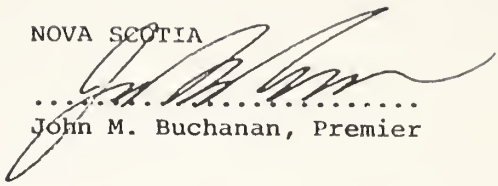
Signed on behalf of the under-mentioned Governments, to be followed by ratification by the respective Legislatures or National Assembly.

ALBERTA



Peter Lougheed, Premier

NOVA SCOTIA

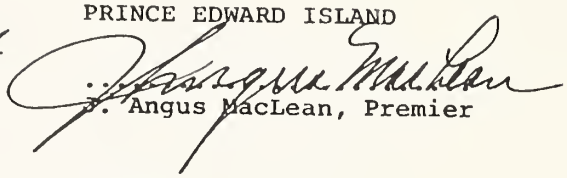


John M. Buchanan, Premier

BRITISH COLUMBIA

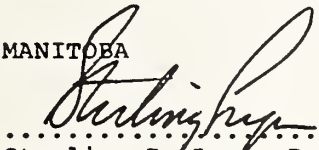
William R. Bennett, Premier

PRINCE EDWARD ISLAND



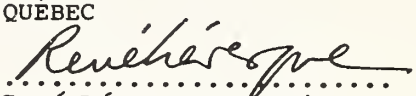
J. Angus MacLean, Premier

MANITOBA



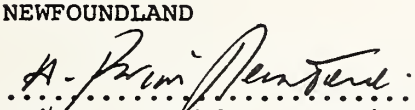
Sterling R. Lyon, Premier

QUÉBEC



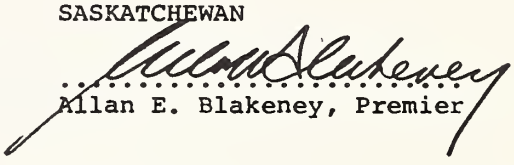
René Lévesque, Premier

NEWFOUNDLAND



Brian A. Peckford, Premier

SASKATCHEWAN



Allan E. Blakeney, Premier

SIGNED ON BEHALF OF THE GOVERNMENTS OF:

NEW BRUNSWICK

.....
Richard B. Hatfield, Premier

ONTARIO

.....
William G. Davis, Premier

ACCEPTED ON BEHALF OF THE GOVERNMENT OF CANADA:

.....
Pierre E. Trudeau, Prime Minister

AMENDING FORMULA

FOR THE

CONSTITUTION OF CANADA

Text and Explanatory Notes

PART A

AMENDING FORMULA FOR THE CONSTITUTION OF CANADA

EXPLANATORY NOTES

General Comment

The amending formula which is part of the Canadian patriation plan agreed to by eight governments in Ottawa on April 16, 1981, is the result of intensive discussions among the governments of Alberta, British Columbia, Manitoba, Newfoundland, Nova Scotia, Prince Edward Island, Quebec and Saskatchewan.

In developing the formula several important principles were recognized:

1. All amendments to the Constitution of Canada, except those related to the internal constitution of the provinces, require the agreement of the Parliament of Canada.
2. Any formula must recognize the constitutional equality of provinces as equal partners in Confederation.
3. Any amending formula must protect the diversity of Canada.
4. Any constitutional amendment taking away an existing provincial area of jurisdiction or proprietary right should not be imposed on any province not desiring it.
5. Any amending formula must strike a balance between stability and flexibility.
6. Some amendments are of such fundamental importance to the country that all eleven governments must agree.

During discussions, it was recognized that more than one method of amending the Constitution would be necessary. Accordingly, this formula contains different methods depending on the nature of the amendment.

The eleven sections described as "Part A — Amending Formula for the Constitution of Canada" are designed to contain a full and complete procedure for the future amendment of the Constitution of Canada in all respects. The provisions contained in Part A would replace both the limited amending formulas now contained in sections 91(1) and 92(1) of the B.N.A. Act as well as the United Kingdom Parliament's residual responsibility for amending certain aspects of the Canadian Constitution.

This amending formula would apply not only to the B.N.A. Act, 1867, and amendments made to it since that date, but also to the other parts of the

Constitution of Canada, including the constitutional statutes and Orders-in-Council which relate to the entry into Canada of particular provinces, for example, The Manitoba Act, 1870, the Terms of Union admitting British Columbia in 1871, and Prince Edward Island in 1873, The Alberta Act, 1905, The Saskatchewan Act, 1905, and the Terms of Union with Newfoundland, 1949.

This amending formula is clearly preferable to the one proposed by the federal government for a number of reasons: 1) it recognizes the constitutional equality of each of Canada's provinces; 2) it gives the Senate only a suspensive rather than an absolute veto over constitutional amendment; 3) it omits the referendum provision opposed by many as being inappropriate to the Canadian federal system.

PART A

AMENDING FORMULA FOR THE CONSTITUTION OF CANADA

EXPLANATORY NOTES

1. (1) Amendments to the Constitution of Canada may be made by proclamation issued by the Governor General under the Great Seal of Canada when so authorized by:

(a) resolutions of the Senate and House of Commons; and

(b) resolutions of the Legislative Assemblies of at least two-thirds of the provinces that have in the aggregate, according to the latest decennial census, at least fifty per cent of the population of all the provinces.

1. (1) This provision is known as the general amending formula. It would apply to all amendments to the Constitution of Canada unless another method of amendment is specifically provided for elsewhere in Part A.

This provision requires that an amendment be supported by the Parliament of Canada and by at least seven provincial Legislatures representing at least 50% of the total population of all of the provinces.

(2) Any amendment made under subsection (1) derogating from the legislative powers, the proprietary rights or any other rights or privileges of the Legislature or government of a province shall require a resolution supported by a vote of a majority of the Members of each of the Senate, of the House of Commons, and of the requisite number of Legislative Assemblies.

(2) Any amendment which diminishes provincial rights or powers must be supported by a majority of the actual membership of each of the Senate, the House of Commons, and the requisite number of Legislatures.

(3) Any amendment made under subsection (1) derogating from the legislative

(3) If an amendment, proposed under the general amending formula, would diminish the

powers, the proprietary rights, or any other rights or privileges of the Legislature or government of a Province shall not have effect in any province whose Legislative Assembly has expressed its dissent thereto by resolution supported by a majority of the Members prior to the issue of the proclamation, provided, however, that Legislative Assembly, by resolution supported by a majority of the Members, may subsequently withdraw its dissent and approve the amendment.

existing legislative powers, proprietary rights or any other rights or privileges of provincial Legislatures or governments, a province has two decisions to make:

(a) whether or not to approve the amendment, and

(b) if the amendment is approved under subsection (1), whether to retain its existing powers, rights or privileges by dissenting from its application within that province.

In this case, the Legislature of the province would have to express its dissent by adopting a Resolution supported by a majority of the total number of members of the Assembly. Such a procedure is commonly designated an "opting-out" provision.

A province wishing to use this "opting-out" procedure must do so before the proclamation making the amendment is issued. Also the opting-out provision applies only where the proposed amendment derogates from, or diminishes, the legislative powers, proprietary rights or any other rights and privileges of

AMENDING FORMULA

EXPLANATORY NOTES

the Legislature or government of a province.

Proprietary rights includes natural resources and assets. Broadly speaking, those powers, rights and privileges are assigned to the provinces by sections 92, 93 and 109 of the British North America Act.

In summary, no single province should be able to block an amendment desired by at least seven other provinces and the federal government. Conversely, that particular province would not be required to have this kind of amendment apply to it if it found the amendment to be unacceptable.

2. (1) No proclamation shall issue under section 1 before the expiry of one year from the date of the passage of the resolution initiating the amendment procedure, unless the Legislative Assembly of every province has previously adopted a resolution of assent or dissent.

2. (1) This provision ensures that a proposed amendment cannot come into force before one year has expired from the time of initiation unless all provinces have expressed their views by resolution prior to that time, and the necessary consents have been obtained. Thus, no amendment can be made until all Legislatures have had an opportunity to debate the proposed amendment.

(2) No proclamation shall issue under section 1 after the expiry of three years from the date of the passage of the resolution initiating the amendment procedure.

(2) This provision ensures that a proposed amendment must gain the requisite level of support within a reasonable length of time from initiation or it will lapse.

AMENDING FORMULA	EXPLANATORY NOTES
(3) Subject to this section, the Government of Canada shall advise the Governor General to issue a proclamation forthwith upon the passage of the requisite resolutions under this Part.	(3) This provision ensures that a proposed amendment, enjoying the requisite level of support, is proclaimed.
3. In the event that a province dissents from an amendment conferring legislative jurisdiction on Parliament, the Government of Canada shall provide reasonable compensation to the government of that province, taking into account the per capita costs to exercise that jurisdiction in the provinces which have approved the amendment.	3. If a province dissents under section 1(2) from a constitutional amendment that confers legislative jurisdiction on Parliament, then this provision requires the Government of Canada to provide reasonable compensation to the government of that province. Such compensation would take into account the per capita costs incurred by the federal government in those provinces where the federal jurisdiction is exercised. This provision is designed to prevent a taxpayer, resident in a province to which the amendment does not apply, from paying twice: first, in his or her federal tax bill and second, to the province which continues to exercise the jurisdiction.
4. Amendments to the Constitution of Canada in relation to any provision that applies to one or more, but not all, of the provinces, including any alteration to boundaries between provinces or the use of the English or the French language within that province may be made only by proclamation issued by the Governor General under the Great Seal of Canada when so author-	4. The purpose of this provision is to allow the Parliament of Canada and the Legislature of a province or provinces to amend the Constitution in relation to any provision that applies to one or more, but not all, of the provinces. Such an amendment would only require the approval of the provincial Legislatures affected and Parliament. Instances of matters falling within that

ized by resolutions of the Senate and House of Commons and the Legislative Assembly of every province to which the amendment applies.

category are, for example, the provisions of The Manitoba Act, the Terms of Union of Prince Edward Island and British Columbia, The Saskatchewan Act, The Alberta Act, and the Terms of Union with Newfoundland. This provision ensures that any such amendment has the consent of the affected province or provinces.

Alterations to boundaries between provinces would also be dealt with under this section and could be made by the approval of the Legislatures of those provinces affected and the Parliament of Canada.

Any amendments to the Constitution in relation to the use of the English or French language within a province could be made by resolution of the Legislature of the province affected and the federal Parliament. This provision would apply to those portions of section 133 of the B.N.A. Act which relate to the province of Quebec and those language provisions of The Manitoba Act which apply to Manitoba. This provision could make section 133 applicable to a province where it does not apply now but which wishes it to be applicable therein.

5. An amendment may be made without a resolution of the Senate authorizing the issue of the proclamation if, within one hundred and eighty days after the

5. Under this provision, the Senate of Canada will have only a suspensive veto over constitutional amendments. If the Senate refuses or fails to author-

AMENDING FORMULA	EXPLANATORY NOTES
passage by the House of Commons of a resolution authorizing its issue, the Senate has not passed such a resolution and if, after the expiration of those one hundred and eighty days, the House of Commons again passed the resolution, but any period when Parliament is dissolved shall not be counted in computing the one hundred and eighty days.	ize the issue of a proclamation within one hundred and eighty days of the House of Commons passing a resolution authorizing its issue, the amendment may still proceed provided the matter is again submitted to and passed by the House of Commons.
6. (1) The procedures for amendment may be initiated by the Senate, by the House of Commons, or by the Legislative Assembly of a province.	6. (1) Self-explanatory.
(2) A resolution authorizing an amendment may be revoked at any time before the issue of a proclamation.	(2) This section permits either of the Houses of Parliament or any Legislature to revoke an affirmative resolution before the proclamation implementing the proposed amendment is issued. However, once the proclamation is issued, an affirmative resolution may not be revoked.
(3) A resolution of dissent may be revoked at any time before or after the issue of a proclamation.	(3) This provision allows a resolution disapproving a proposed amendment to be revoked at any time either before or after the issue of a proclamation. This is designed to allow provinces which have dissented from an amendment to revoke their dissent subsequently and be subject to the amendment.
7. Subject to sections 9 and 10, Parliament may exclusively make laws amending the Con-	7. This provision allows Parliament, acting alone, to amend those parts of the Constitution of

stitution of Canada in relation to the executive government of Canada or the Senate and House of Commons.

Canada that relate solely to the operation of the executive government of Canada at the federal level or to the Senate or House of Commons. Some aspects of certain institutions important for maintaining the federal-provincial balance, such as the Senate and the Supreme Court, are excluded from this provision and are covered in sections 9 and 10. This provision is intended to replace section 91(1) of the B.N.A. Act.

8. Subject to section 9, the Legislature of each province may exclusively make laws amending the constitution of the province.

8. This provision allows the Legislature of a province, acting alone, to amend the provincial Constitution and is intended to replace section 92(1) of the B.N.A. Act. Exceptions to this provision include the office of the Lieutenant-Governor.

9. Amendments to the Constitution of Canada in relation to the following matters may be made only by proclamation issued by the Governor General under the Great Seal of Canada when authorized by resolutions of the Senate and House of Commons and of the Legislative Assemblies of all of the provinces:

9. This section recognizes that some matters are of such fundamental importance that amendments in relation to them should require the consent of all the provincial Legislatures and Parliament.

(a) the office of the Queen, of the Governor General or of the Lieutenant Governor;

(a) Self-explanatory.

(b) the right of a province to a number of members in the House of Commons not less than the number of Senators

(b) This clause relates to the protection provided to provinces under section 51 A of the B.N.A. Act.

representing the province at the time this provision comes into force;

(c) the use of the English or French language except with respect to section 4;

(c) This clause would require any changes to the Constitution related to the use of the English or French language either within the institutions of the federal government or nationwide to require the unanimous approval of Parliament and all the Legislatures.

(d) the composition of the Supreme Court of Canada;

(d) This clause would ensure that the Supreme Court of Canada is comprised of judges a proportion of whom are drawn from the Bar or Bench of Quebec and are, therefore, trained in the civil law. Other aspects of the Supreme Court of Canada are dealt with in section 10.

(e) an amendment to any of the provisions of this Part.

(e) This clause provides that any amendment to the amending formula itself requires unanimous approval of Parliament and all of the provincial Legislatures.

10. Amendments to the Constitution of Canada in relation to the following matters shall be made in accordance with the provisions of section 1(1) of this Part and sections 1(2) and 1(3) shall not apply:

10. Amendments to the Constitution in respect of the matters listed in section 10 may be achieved if approved by 1) the House of Commons and Senate of Canada and 2) at least seven provinces having, in the aggregate, at least 50% of the total population of all the provinces according to the latest decennial census. The types of amendments listed in this section are

AMENDING FORMULA	EXPLANATORY NOTES
	not subject to provincial non-application and, therefore, apply nationwide.
(a) the principle of proportionate representation of the provinces in the House of Commons;	(a) Self-explanatory.
(b) the powers of the Senate and the method of selection of members thereto;	(b) Self-explanatory.
(c) the number of members by which a province is entitled to be represented in the Senate and the residence qualifications of Senators;	(c) Self-explanatory.
(d) the Supreme Court of Canada, except with respect to clause (d) of section 9;	(d) This clause refers to all amendments relating to the Supreme Court of Canada except the composition of the Court which is dealt with in section 9, clause (d). The Supreme Court of Canada is established by a law of Parliament under Section 101 of the B.N.A. Act and not by the Constitution itself. This clause anticipates constitutional amendments relating to the Court. Such amendments would apply nationwide.
(e) the extension of existing provinces into the Territories;	(e) and (f) The alteration of boundaries between provinces is dealt with in section 4. The extension of existing provinces or the establishment of new provinces are dealt with in clauses (e) and (f).
(f) notwithstanding any other law or practice, the establishment of new provinces;	

AMENDING FORMULA	EXPLANATORY NOTES
(g) an amendment to any of the provisions of Part B.	(g) This clause deals with amendments to the delegation of legislative authority provisions contained in Part B.
11. A constitutional conference composed of the Prime Minister of Canada and the First Ministers of the provinces shall be convened by the Prime Minister of Canada within fifteen years of the enactment of this Part to review the provisions for the amendment of the Constitution of Canada.	11. This section provides that the First Ministers of Canada shall meet within fifteen years to review the amending formula itself. This is a minimum requirement and does not preclude other constitutional conferences.

PART B

DELEGATION OF LEGISLATIVE AUTHORITY

EXPLANATORY NOTES

General Comments

Part B allows for the delegation of legislative authority from one order of government to the other, something which is not now provided for in the B.N.A. Act. Delegation of legislative authority would add considerable flexibility to Canada's constitutional arrangements and could reduce the duplication of administrative services.

This Part would permit the Parliament of Canada to consent to the making of a provincial law in an area of federal responsibility. Conversely, it would permit one or more provinces to consent to the making of a federal law in an area of provincial responsibility. There is also provision for the consents to relate to all laws in relation to a particular matter of jurisdiction, as distinct from a particular statute. In the event of delegation, financial compensation is payable to the governments exercising delegated power.

Delegation could conceivably be used to test the effect of transferring responsibility for a certain jurisdictional area before proceeding in a more general way through the amending formula itself. Finally, a delegation of power may be revoked upon two years' notice.

PART B

DELEGATION OF LEGISLATIVE AUTHORITY

EXPLANATORY NOTES

1. Notwithstanding anything in the Constitution of Canada, Parliament may make laws in relation to a matter coming within the legislative jurisdiction of a province, if prior to the enactment, the Legislature of at least one province has consented to the operation of such a statute in that province.

1. This section permits one or more provinces to consent to Parliament enacting a law in an area of provincial jurisdiction.

2. A statute passed pursuant to section 1 shall not have effect in any province unless the Legislature of that province has consented to its operation.

2. Statutes passed by the federal Parliament pursuant to section 1 only have effect in those provinces that have consented to their operation.

3. The Legislature of a province may make laws in the province in relation to a matter coming within the legislative jurisdiction of Parliament, if, prior to the enactment, Parliament has consented to the enactment of such a statute by the Legislature of that province.

3. This is the converse of section 1. It permits Parliament to consent to one or more provinces enacting a law in an area of federal jurisdiction.

4. A consent given under this Part may relate to a specific statute or to all laws in relation to a particular matter.

4. This section provides that the delegation may be in respect to either a whole matter of constitutional jurisdiction or merely a specific statute.

5. A consent given under this Part may be revoked upon giving two years' notice, and

   (a) if the consent was given under section 1, any law made by Parliament to which the consent relates shall thereupon cease to have effect in the province revoking the consent, but the revocation of the consent does not affect the opera-

5. This section allows for the delegation of authority to be revoked provided two years' notice is given. After the two years, the law ceases to have force and effect within those jurisdictions that have revoked the consent. In the case of a delegation to the Parliament of Canada by several provinces, the federal law ceases to have effect only in those provinces which have revoked the consent.

tion of that law in any other province;

(b) if the consent was given under section 3, any law made by the Legislature of a province to which the consent relates shall thereupon cease to have effect.

6. In the event of a delegation of legislative authority from Parliament to the Legislature of a province, the Government of Canada shall provide reasonable compensation to the government of that province, taking into account the per capita costs to exercise that jurisdiction.

7. In the event of a delegation of legislative authority from the Legislature of a province to Parliament, the government of the province shall provide reasonable compensation to the Government of Canada, taking into account the per capita costs to exercise that jurisdiction.

6. and 7. These are reciprocal sections which would provide that the order of government that acquires the right to pass a law through the delegation process is entitled to be provided with reasonable compensation from the other order of government for the exercise of that jurisdiction. The definition of reasonable compensation must take into account the per capita costs of exercising that jurisdiction.

202001060104